

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1629
ANSWERED ON:19.11.2010
RURAL CREDIT
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government proposes to restructure the institutional architecture for the delivery of rural credit;
- (b) if so, the details thereof;
- (c) whether there is any proposal to make the National Bank for Agriculture and Rural Development (NABARD), the apex regulator for the rural credit with coverage extending to the Regional Rural Banks (RRBs);
- (d) if so, the details thereof;
- (e) whether the Government has conducted any study in this regard; and
- (f) if so, the details thereof?

Answer

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

(a) to (b):- In order to reposition Regional Rural Banks (RRBs) as an effective instrument for delivery of rural credit, the Government of India, in consultation with National Bank for Agriculture and Rural Development (NABARD), State Governments and the sponsor banks had initiated State-level sponsor bank-wise amalgamation of RRBs since September 2005. As a result, the total number of RRBs came down from 196 to 82 as on March 2010. The structural consolidation of RRBs has resulted in the formation of new RRBs, which are financially stronger and bigger in terms of business volume and outreach, enabling them to take advantage of the economies of scale and reduce operational costs.

In order to enhance/improve competitive efficiency, quality of customer service and further financial inclusion by RRBs, all sponsor banks have been advised to ensure the implementation of Core Banking Solution (CBS) in their sponsored RRBs by September 2011. As on date, out of a total of 82 RRBs, CBS has been fully implemented in 22 RRBs and in the remaining 60 RRBs, CBS work is in progress.

(c) and (d):- NABARD already performs a supervisory role in respect of RRBs.

(e) and (f):- The Government of India had in September 2009 constituted a Committee to examine the financials of RRBs with Capital to Risk Weighted Asset Ratio (CRAR) of less than 7% as on March 31, 2009 and suggest measures to bring the CRAR of RRBs to at least 9% by March 2012. The Committee was also required to examine whether the capital base in case of capitalised RRBs needs further strengthening. The Committee has inter-alia recommended recapitalisation of 40 RRBs to bring their CRAR level at least 9% by March, 2012.