

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1480
ANSWERED ON:04.03.2011
CAPITAL INFUSION IN RRBS
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has approved capital infusion of Rs. 1,100 crores for Regional Rural Banks (RRBs);
- (b) if so, the details thereof and the reasons therefor;
- (c) whether such capital infusion in the said Banks enable them to enhance their lending towards the farm sector;
- (d) if so, the details thereof alongwith the objectives of such capital infusion;
- (e) whether the Government has reviewed such funding to the said Banks periodically; and
- (f) if so, the details thereof and if not, the reasons therefor along with the other steps taken/being taken by the Government for strengthening the said Banks?

Answer

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

(a) and (b):- Yes, Sir. Government had constituted a Committee under the Chairmanship of Dr. K.C. Chakrabarty, Deputy Governor, Reserve Bank of India to study the current level of capital to risk weighted assets ratio (CRAR) of Regional Rural Banks (RRBs), suggest roadmap for achieving CRAR level of 9% by March, 2012 and to suggest the required capital structure for RRBs given their business level, such that their CRAR is sustainable and provide for future growth and compliance with regulatory requirements.

After assessment of capital requirement for all the 82 RRBs to enable them to have CRAR of at least 7% as on 31st March, 2011 and at least 9% from 31st March, 2012, the Committee has recommended recapitalisation requirement of Rs. 2,200.00 crore for 40 of the 82 RRBs. The recapitalisation amount has to be shared by the shareholders of Regional Rural Banks(RRBs) in proportion to their shareholding in RRBs, i.e. 50% Government of India; 35% Sponsor Banks and 15% State Governments.

(c) to (d):- The purpose of capital infusion in identified RRBs is to enhance their CRAR level to a desired level in a time bound manner, enabling them to function on sound business principles and conform to all regulatory requirements. The recapitalisation of RRBs is to facilitate achieve higher level of business, both in farm and non-farm sectors.

(e) and (f):- The financial position and performance of RRBs is reviewed by the Government/NABARD/Sponsor banks. Apart from recapitalisation support given to RRBs , the following major steps have been taken by the Government/ NABARD/RBI to strengthen the RRBs:

- 1) Structural consolidation by amalgamating RRBs sponsored by the same sponsor bank in the same State.
- 2) Expansion of non-fund based business activities.
- 3) Permitting RRBs to accept Foreign Currency Non-Residents (FCNR) Deposits.
- 4) Allowing consortium lending by RRBs.
- 5) Implementation of Core Banking Solution (CBS) in RRBs.