

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2798
ANSWERED ON:30.03.2012
CAPITAL SUPPORT TO RRBS
Thamaraiselvan Shri R.

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has formulated any scheme to support weakest Regional Rural Banks (RRBs) in the country;
- (b) if so, the details thereof and if not, the reasons therefor;
- (c) whether the Government has provided capital to the said banks in the recent past;
- (d) if so, the details thereof; and
- (e) the other remedial measures 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),(b),(c)and(d): The Government has decided to provide recapitalisation support to 40 financially weak RRBs. The recapitalisation amount is to be shared by stakeholders in proportion to their share holding i.e 50%, 35% and 15% by the Central Government, concerned sponsor bank and State Government respectively. The recapitalisation process was started in 2010-11. As per the approved scheme, the release of Government of India share is subject to proportionate release of the concerned State Government and Sponsor Bank share. A sum of Rs. 66.49 crore was released during 2010-11 and Rs. 402.43 crore has been released during 2011-12 as Government of India share. With this, recapitalisation of 16 RRBs has been completed and 5 RRBs have been provided part amounts as per release of share by the concerned State Government and the sponsor bank.

(e) The steps taken to modernize and strengthen the technology up gradation and functioning of RRBs interalia include the following:

With the emphasis on the technology up gradation, 80 RRBs have migrated to the Core Banking Solution (CBS). These RRBs have also joined the National Electronic Fund Transfer system enabling their customers to transfer funds across any other bank. With this RRBs will be benefited with reduced operational costs, faster customer services, integration of all- products and services, improved risk management, mitigated operational Risk, real-time transaction processing and scaling up of operations etc.

The sponsor banks have been advised to operationally integrate RRBs with that of sponsor banks and take necessary action for human resource development in RRBs sponsored by them.

The Chief Executives of sponsor banks have been advised that progress of RRBs should be reviewed by the Board of sponsor banks on quarterly basis after review by the RRBs concerned;

With a view to strengthen the management of RRBs, the sponsor banks have been given model guidelines for selection of chairmen of RRBs based on the professional expertise, willingness and exposure in rural banking of the officer.