

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:1027

ANSWERED ON:10.07.2009

STRENGTHENING OF RRBS

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**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Union Government proposes to strengthen ailing regional rural banks;
- (b) if so, the details thereof, State-wise and the quantum of amount proposed to be invested in this regard during the next three years; and
- (c) the steps taken by the Union Government in this regard?

**Answer**

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) to (c):- The Regional Rural Banks (RRBs) were established in the year 1975 and have emerged as the third arm for delivering rural credit. So as to make RRBs strong and vibrant institutions for delivering rural credit, the Government had focused on amalgamating RRBs on the principle of 'one State - one Sponsor Bank- one Regional Rural Bank'. As a result, as against 196 RRBs as on September 2005 there are 85 RRBs as on date. Government also initiated a process for the recapitalization of 27 RRBs having negative networth of Rs. 1795.97 crore in 2007-08. In respect of 26 RRBs, an amount Rs.1770.86 crore has been provided as on 31.3.2009 by the Central Government, State Government and the sponsor Bank in the ratio of 50:15:35.

The Government has also taken the following steps to improve the working of RRBs:

- (1) 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.
- (2) Permitting RRBs to accept Foreign Currency Non-Residents (FCNR) Deposits.
- (3) Allowing consortium lending to RRBs.
- (4) Preparation of Sustainable Viability Plan (SVP) and Execution of Memorandum of Understanding (MoU) for the recapitalized RRBs.
- (5) To introduce the Core Banking Solution (CBS) system in the RRBs on the pattern of Public Sector Banks.
- (6) Other initiatives - For the purpose of enhancing business of RRBs, a number of initiatives such as organisational, human resource developmental and promotional initiatives have been taken by GoI/NABARD/RBI. Such steps include enhancing the coverage of districts, opening of branches, deposit mobilisation, increase in loans, advances, strengthening and using the farmers' clubs, debt swap and freeing the borrowers from money lenders and strengthening of RRBs by creating promotional avenues, recruitment of staff, staff training and capacity building.