

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4440

ANSWERED ON:08.08.2014

RRBS

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Will the Minister of FINANCE be pleased to state:

(a) the main objectives for setting up of Regional Rural Banks (RRBs) in the country and the guidelines which regulate the credit and other facilities by these RRBs:

(b) the number of RRBs presently functioning in the country. State- wise;

(c) the number of them whose financial condition is poor/closed down during the last three years and the current year, State-wise, and

(d) the steps taken/being taken by the Government to improve the financial condition of loss making RRBs?

Answer

The Minister of State in the Ministry of Finance (Shrimati Nirmala Sitharaman)

(a) Regional Rural Banks (RRBs) were established in 1975 under the provisions of the Ordinance promulgated on 26 September, 1975 and the RRBs Act, 1976 with a view to develop the rural economy and to create a supplementary channel to the cooperative credit structure so as to enlarge institutional credit for rural and agriculture sector. The main objective of setting up of RRBs is to provide credit and other facilities, especially to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs in rural areas. Credit and other facilities to the customers of RRBs are governed by the RRBs Act, 1976 and directions issued by RBI and NABARD from time to time.

(b) & (c) As on date 31.3.2014, 56 RRBs are functioning in the country. However, as on 31.3.2014, there were 57 RRBs in existence in 27 States and all of them had generated current profits during the year 2013-14. The aggregate profit earned by these banks as on 31.3.2014 was worked out to Rs 2,832.29 crore. However, 6 RRBs functioning in six states, though in current profits, carry accumulated losses aggregating to Rs 903.08 crore. No RRB was closed down during the last three years. The state-wise details of number of RRBs & their profitability are given in Annexure I.

(d) The steps taken by Government of India to improve financial viability of RRBs are given below:-

1. Recapitalisation Assistance

Government of India (GoI), based on recommendations of Dr. K.C. Chakrabarty Committee (Report of Committee on recapitalisation of RRBs for improving CRAR), identified 40 weak RRBs for recapitalisation assistance of Rs 2,200 crore that includes Rs.1,100 crore as GoI share. An amount of Rs. 108670 crore has been released to 38 RRBs in 20 States by Government of India upto 31.3.2014. Assistance to two RRBs in UP State could not be released because UP State Government did not release their share of recapitalisation.

2. Amalgamation of RRBs

As per the recommendations of Dr. V.S. Vyas Committee, the Government of India, in consultation with NABARD, State Government concerned and the sponsor banks, initiated State level amalgamation process of RRBs to improve their operational viability and to take advantage of the economies of scale. The First phase of amalgamation was initiated Sponsor bank-wise within a State in 2005. The Second phase of further amalgamation was initiated across the Sponsor banks within a State during 2012. There were 196 RRBs as on 31.3.2005 with 30 RRBs incurring losses. After the amalgamation, the number of RRBs reduced to 57 as on 31.03.2014 and all are making profit.