Centre plans amalgamation of RRBs at the State level

Will lead to more productivity and greater flow of credit to rural areas

NS VAGHESH

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The Centre is planning another round of amalgamation of Regional Rural Banks (RRBs). The number of RRBs is proposed to be brought down to 18 from 37.

A roadmap for the same has been prepared and it envisages the amalgamation of RRBs at the State-level. About 29 RRBs, currently spread across 11 States, will be brought together into 13 banks. The exercise is being done in consultation with NABARD.

For instance, three RRBs in Gujarat – Dena Gujarat Gramin Bank, Baroda Gujarat Gramin Bank and Saurashtra Gramin Bank – operating under the sponsor banks, Dena Bank of Baroda and State Bank of India, will now be brought under the aegis of SBI.

Whereas in Tamil Nadu, Pallavan Grama Bank and Pandyan Grama Bank, operating under their respective sponsors – Indian Bank and Indian Overseas Bank – will now come under Indian Bank.

The road map envisages that there will be some give and take among the various sponsor banks in different States. SBI, for instance, will take over six RRBs, which are currently under other sponsor banks, under its fold, while shedding four RRBs to other banks.

**Advantages**

The amalgamation process is being done ostensibly to enable RRBs cut overheads, improve their capital and cost efficiency, besides helping them achieve better scale efficiency, higher productivity, improved financial inclusion and greater credit flow to rural areas.

RRBs were established originally with these goals in mind and with the hope of getting the best mix of credit co-operatives as well as commercial banks. They were intended to serve the credit needs of backward areas.

On a consolidated basis, they have about Rs 3 lakh crore loans outstanding, given mainly to the priority sector, predominantly agriculture. They contributed about 16 per cent of the accounts that were opened under the Pradhan Mantri Jan Dhan Yojana. This is the third round of RRB restructuring that is being undertaken. The first round was in 2005 when RRBs of the same sponsor bank within a State were consolidated. This reduced the number of RRBs drastically from 196 to 82.

In the second phase of consolidation in 2012, RRBs, which were near each other (even if they belonged to different sponsor banks), were brought together. This further reduced the number to 96.