Regional Rural Bank (RRBs)

Overview

Regional Rural Banks (RRBs) were established in 1975 under the provisions of the Ordinance promulgated on the 26th September 1975 and followed by Regional Rural Banks Act, 1976 with a view to develop the rural economy and to create a supplementary channel to the 'Cooperative Credit Structure' with a view to enlarge institutional credit for the rural and agriculture sector. The Government of India, the concerned State Government and the bank, which had sponsored the RRB contributed to the share capital of RRBs in the proportion of 50%, 15% and 35%, respectively. The area of operation of the RRBs is limited to few notified districts in a State. The RRBs mobilise deposits primarily from rural/semi-urban areas and provide loans and advances mostly to small and marginal farmers, agricultural labourers, rural artisans and other segments of priority sector.

Amalgamation

The RBI in 2001 constituted a Committee under the Chairmanship of Dr V S Vyas on “Flow of Credit to Agriculture and Related Activities from the Banking System” which examined relevance of RRBs in the rural credit system and the alternatives for making it viable. The consolidation process thus was initiated in the year 2005 as an off-shoot of Dr. Vyas Committee Recommendations. First phase of amalgamation was initiated Sponsor Bank-wise within a State in 2005 and the second phase was across the Sponsor banks within a State in 2012. NABARD has been actively involved in the amalgamation of RRBs. The process was initiated with a view to provide better customer service by having better infrastructure, computerization, experienced work force, common publicity and marketing efforts etc. The amalgamated RRBs also benefit from larger area of operation, enhanced credit exposure limits for high value and diverse banking activities. After successive amalgamations, the number of RRBs in the country as on 31 March 2018 stood at 56, with a network of 21,747 branches covering 683 notified districts in 27 States and the UT of Puducherry. There is no RRB in Sikkim, Delhi and Goa.
Recapitalisation
During the year 2018-19, recapitalisation assistance of Rs.108 crore was released to 4 RRBs by Government of India viz., Madhyanchal GB (Rs.46.73 cr), Utkal GB (Rs.57.87 crore), Nagaland GB (0.93 crore) and Arunachal Pradesh (Rs.2.47 crore).

Pension benefits
NABARD has been actively involved in extending all the support to GoI, Sponsor Banks and RRBs in implementing the Hon’ble Supreme Court judgement on extending pension to RRB staff. The draft Pension guidelines/Regulations were prepared by NABARD and sent to GoI, and on approval of the same by GoI, were circulated among the RRBs. As on 13 June 2019, 44 RRBs have implemented the pension scheme for their staff.

Review Meets
Half-yearly review meeting of RRBs are conducted based on ‘Performance Assessment Report’ generated through ENSURE portal to discuss issues with special reference to profitability, asset quality, investment management, governance issues, etc.

Monitoring of weak RRBs
The monitoring of weak RRBs has been reintroduced by changing the nomenclature to ‘RRBs in Focus’ (earlier it was named as “Sub-par RRBs). The criteria for identification of the RRBs for the purpose is in sync with the supervisory guidelines on Prompt Correction Action of RRBs. Accordingly, the RRBs meeting any one of the three criteria viz., CRAR less than 10%, Gross NPAs more than 10% and Return on Assets less than 0.25%, will be identified as ‘RRBs in Focus’. Detailed guidelines were issued to RRBs for preparation of Monitorable Action Plans’. Review meets were conducted during the year 2018-19 for such banks.

Joint Consultative Committee (JCC) Meeting
JCC meetings are held with national-level association of RRBs, representatives from sponsor banks and State Govt’s to discuss various issues, viz., pay & allowances, pension parity, recruitment & promotion, inclusion of retired staff in health insurance scheme and posting of officers from Sponsor Banks.