

Centre plans amalgamation of RRBs at the State level

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

NS VAGEESH

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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 38 from 56.

A road map for the same has been prepared and it envisages the amalgamation of RRBs at the State-level. About 33 RRBs, currently spread across 11 States, will be brought together into fourteen 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 use technology, besides helping them draw better scale-efficiency, higher productivity, improved financial inclusion and greater credit flow to rural areas.

RRBs were established originally



Three RRBs will be brought under the aegis of the SBI in Gujarat

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 ₹2-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 56.

राष्ट्रीय कृषि और ग्रामीण विकास बैंक

National Bank for Agriculture and Rural Development

कापारट सचार विभाग

प्लॉट नं. सी-24, 'जी' ब्लॉक, बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051. टेली: +91 22 2652 4693 • फ़ैक्स: +91 22 2653 0071 • ई मेल: ccd@nabard.org

Corporate Communications Department

Plot No. C-24, 'G' Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051 • Tel.: +91 22 2652 4693 • Fax: +91 22 2653 0071 • E-mail: ccd@nabard.org