

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:191
ANSWERED ON:05.08.2005
LOSSES INCURRED BY RRBS
Shahid Shri Mohammed;Shiwankar Shri Maha Deo Rao

Will the Minister of FINANCE be pleased to state:

- (a) whether Regional Rural Banks (RRBs) have suffered losses to the tune of Rs. 183 crore during the year 2003-04 as reported in Dainik Jagran dated 16th May, 2005;
- (b) if so, the details of loss making RRBs during the last three years, State-wise;
- (c) the reasons for recurring losses;
- (d) whether the Government proposes to wind up the aforesaid banks;
- (e) if so, the details thereof and the reasons therefor;
- (f) whether the Government proposes to take remedial steps to improve the functioning of these banks; and
- (g) if so, the details thereof?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI P. CHIDAMBARAM)

- (a) and (b) Yes, Sir. 33 Regional Rural Banks (RRBs) had incurred a loss of Rs. 183.64 crores during the year 2003-04. The details of loss making RRBs, state-wise during the last three years are given in the enclosed statement.
- (c) the main causes for the indifferent financial position of the RRBs are limited area of operation, narrow client base, high cost of services, high establishment cost and low margins and high proportion of Non Performing Assets (NPAs).
- (d) No such proposal is contemplated.
- (e) Does not arise.
- (f)and(g) Reserve Bank of India (RBI), National Bank for Agriculture and Rural Development (NABARD) and Government of India have introduced several policy measures for improving the operational and financial efficiency of the RRBs. The important amongst them are as under:
 - 1 Government has decided that each sponsor bank will be held squarely accountable for the performance of RRBs under its control. RRBs that adopt a new governance standard and that abide by the prudential . regulations will qualify for receiving funds from the Government for restructuring.
 - 2 With a view to strengthen and improve the viability of 5 RRBs, a process has been initiated for structural consolidation of RRBs by amalgamation of geographically contiguous RRBs sponsored by the same bank within a State.
 - 3 In order to reduce NRAs as also to improve recovery, compromise settlement of dues through Lok Adalats has been introduced.
 - 4 In order to build up the skills and expertise of the personnel of RRBs, NABARD continued to give special priority to RRBs to train their staff through training institutions like Bankers Institute for Rural Development (BIRD), Lucknow, Regional Training Centres at Mangalore and Bolpur. RRBs officials are being trained in specialized areas like Project Management under Farm and Non-farm sectors, Asset-liability management, Fund Management, apart from training in the areas of Internal Control, MIS, Personnel Management and Industrial Relations.
 - 5 Revised instructions were issued for maintenance of SLR by RRBs requiring them to maintain their SLR only in government and other approved securities.
 - 6 In respect of loss incurring RRBs, Sponsor Banks have been advised to evolve Bank Specific Strategic Plan for attainment of viability in a fixed time frame.

7 The RBI has constituted an Empowered Committee in its Regional offices with members drawn from NABARD, sponsor banks, convenors of SLBCs and State Governments to ensure that RRBs adhere to good governance and comply with prudential regulations. The Committee would also focus on operational issues and provide clarification on regulatory issues.