



ALL INDIA REGIONAL RURAL BANK OFFICERS' FEDERATION

(Affiliated to AIBOC)

Central Office : Natabar Paul Road, Chatterjee Para More, Tikiapara, Howrah – 711101



They is not the least, we know it...



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CIRCULAR NO: AIRRBOF/ **SP 10** /2022

Dated: 07-07-2022

All Affiliates/ Members
(Please re-circulate)

Dear Comrades,

Merger of Regional Rural Banks (RRBs) with Strong Sponsor Bank to strengthen integrated rural economy and to minimise vast Credit Gap existing between Urban and Rural Region

We reproduce hereunder the full text of JFGBU Letter No. 22/JF/149 dated 05.07.2022 originally addressed to The Finance Secretary, Government of India with a copy to The Chairman, NABARD and The CMD of all Sponsor Banks on the captioned subject for information of all concerned.

With revolutionary greetings,

(Srijan Kumar Pal)
General Secretary

Quote

Letter No.22/JF/149

URGENT/By Email

5th July, 2022

To,
Sri Sanjay Malhotra,
Secretary, Financial Services, GOI,
Jeevan Deep Building,
Parliament Street,
New Delhi-110 001
secy-fs@nic.in

Re: Merger of Regional Rural Banks (RRBs) with Strong Sponsor Bank to strengthen integrated rural economy and to minimise vast Credit Gap existing between Urban and Rural Region.

Joint Forum of Gramin Bank Unions (JFGBU), an umbrella organisation of Apex level recognized trade Unions of RRBs, representing majority of human resources of this bank, urge upon you to consider the option of merger of RRBs with strong Sponsor Bank in the interest of strengthening rural economy and to cope up with the vast credit gap existing in between urban and rural region.

In this regard, we are submitting a few following points for your kind consideration:

- i. With a view to strengthen the rural economy and for the purpose of development of agriculture, rural trade and industry and other productive activities by way of credit and other facilities to the small and marginal farmers, agriculture labourers, artisans as well as artisans/small entrepreneurs **RRBs** was established in 1975.
- ii. Since inception, RRBs remained unprofitable for near two decades due to inbuilt weaknesses and a number of Committees were constituted to look into the matter. For your kind reference we are quoting names of a dozen of Committees/Working groups here under.
 1. Dantwala Committee 1978,
 2. CRAFTICARD 1981
 3. Kelkar Committee 1984,
 4. Agriculture Credit Review Committee ACRC-AM Khusro Committee 1989,
 5. Narsimham Committee 1991,
 6. Bhandari Committee-1994,
 7. Working group for fund management of RRBs 1995,
 8. Committee on revamping of RRBs-Basu Committee-1996,
 9. Thingalya Committee-1997,
 10. Narsimham Committee-III-1998,
 11. Committee on Manpower norms in RRB-2000,
 12. Expert Committee on Rual credit 2001,
 13. Dr Veyas Committee 2004
- iii. Within two decades of their existence, RRBs had become financially weak and Government of India initiated recapitalization of the RRBs along with several other policy initiatives to give them operational freedom for enhancing their business opportunities and profitability.

- iv. On recommendation of Fund Management Committee, in the year 1994-95 the government initiated reforms by way of capital infusion and extending other subsidies/ concessions to make them profitable. However at the end of March 2005, 42% of RRBs still carried perennial losses.
- v. Further, in order to improve their operational viability government had initiated their consolidation process in 2005-06 and in the first phase (2005-10) RRBs belonging to same sponsor bank within a state were amalgamated. In the second phase (2012-14) RRBs across sponsor banks within a state were amalgamated and in third phase(2018-21) amalgamation was initiated on the principle of "**one State One RRB**" with a view to have one RRB in smaller State and reduction of number of RRBs in the larger states. As a result, the number of RRBs reduced from 196(2005) to 43 at the end of March 2021.
- vi. But, even after several experiment the financial position of RRBs are not upto the mark and RRBs amalgamated at State level are in loss having >9% CRAR.
- vii. Accumulated losses increased, the number of RRBs having accumulated loss (17) not changed, CRAR decreased, number of RRBs (16) having CRAR>9% unchanged. In spite of 54 CD ration viability of RRBs are at stake.
- viii. **Presently 43 RRBs, sponsored by 12 scheduled Commercial Banks, are having 21856 branches and it constitutes 14.40% of branches of all banks whereas its deposit is only 3.30% and advances are 3.10% respectively. As a result, the operational cost of RRB is very high and having no system of inter-adjustment of operational cost of rural branches with high profit of urban and metropolitan branches.**
- ix. Hence, it is our concerted opinion that in the larger interest of strengthening rural economy, rural credit delivery system and to meet the vast credit gap of urban and rural region, **merger of RRBs with Strong Sponsor Bank is need of the hour.** After merger of RRBs with respective Sponsor Bank, without decreasing number of branches and human resources, the branches of RRBs may be nominated as **RURAL DEVELOPMENT BRANCH (ADB)** through which urban resources (deposits) may be utilized for strengthening rural economy, minimizing **urban-rural credit gap**. Further, present loss making branches of RRBs may be viable after merger with Strong Sponsor bank.

We, therefore, humbly request your honour to consider our proposal in the larger interest of rural economy.

With regards

Yours faithfully

Sd/-
GG Gandhi
General Secretary
AIGBEA

Sd/-
K. Rajeev
General Secretary
AIGBEC

Sd/-
Durgesh Sao
General Secretary
NCRRE

Sd/-
Srijan Pal
General Secretary
AIRBOF

Sd/-
DN Trivedi
General Secretary
AIGBOA

Sd/-
Prakash Soni
General Secretary
AIGBOC

Unquote