Report of the Internal Working Group on RRBs

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ANNEXES – Background Papers

1. Introduction

1.1 Agriculture and rural sector play an important role in India's overall development strategy in terms of income and employment generation and poverty alleviation, and great significance has therefore, been placed on developing appropriate institutions and mechanisms for catering to the credit requirements of that sector. Setting up of Regional Rural Banks (RRBs) in the mid-seventies was a major initiative in this direction. The RRBs are specialized rural financial institutions for developing the rural economy by providing credit to small and marginal farmers, agricultural labourers, artisans and small entrepreneurs. Besides the RRBs, commercial and co-operative banks have been catering to the credit requirements of the rural sector. While the commercial banks, with their focus on profitability had certain limitations in accelerating agricultural credit, the cooperative banks efforts were also hampered by several financial weaknesses. Though over the years the RRBs have been able to expand their outreach and business and meet the credit requirements of the poor, several weaknesses have emerged, eroding their profitability and viability. The recent focus of the Government of India on doubling the flow of credit to the agricultural sector has warranted a re-look at the relative roles of co-operative banks, RRBs and commercial banks. As the very objective of setting up RRBs was to extend adequate credit to the rural borrowers and particularly the economically weaker sections, owing to their rural orientation, there is a growing realization that RRBs could be used as an effective vehicle for credit delivery in the rural areas. There is, therefore a need to devise ways and means to improve the health and viability of RRBs so as to reposition them in the credit delivery mechanism in India.

1.2 In this context, as desired by the Governor, an Internal Working Group was set up within the Reserve Bank with the following members :

Shri A.V. Sardesai, Executive Director	:	Chairman
Shri P. Vijaya Bhaskar, CGM, DBOD	:	Member
Shri K.D. Zacharias, Legal Adviser	:	Member
Shri S.S. Mishra, Adviser, DESACS	:	Member
Smt. Asha P. Kannan, Director, DEAP	:	Member
Shri K.K. Saraf, GM, RPCD	:	Member-Secretary
Shri R. Sudeep, AGM, RPCD	:	Member of the Secretariat

1.3 The Terms of Reference of the Group were:

i) To go through the recommendations made by various committees constituted in the past on the subject;

ii) To make a comprehensive state-wise/ sponsor bank-wise review of the performance of the RRBs, especially after the process of recapitalisation of these banks;

iii) To explore the possibilities for restructuring of RRBs through

- Merger/ consolidation,
- Change of sponsor banks, and
- Offering sponsorship of RRBs to private sector banks;

iv) To examine the Regional Rural Banks Act, 1976 and suggest methods for carrying out the suggested restructuring possibilities;

v) To determine the minimum capital requirements of the RRBs;

vi) To suggest methods for better governance of RRBs; and

vii) To suggest suitable regulation and supervision of the RRBs.

The Governor met members of the Group and indicated that in the context of the great emphasis placed by the Government of India on agricultural and rural development, the Group had been constituted in order to examine the working of RRBs and suggest various measures required to strengthen and reposition RRBs in the credit delivery mechanism.

Approach of the Group

1.4 The Group adopted a broad-based approach. Besides considering the recommendations of the earlier Committees on RRBs having current relevance, the Group held discussions with some sponsor banks of RRBs, chairmen of RRBs and members of faculty of the College of Agricultural Banking, Pune. The Group also derived benefit from the suggestions, which emerged during the Governor's meetings with Chairmen of RRBs, CMDs of sponsor banks and Nominee Directors of RRBs. These are summarised in Annexure A. The members of the Group prepared individual papers on the Terms of Reference and the suggestions/recommendations that emerged from the papers have been incorporated in this Report. The individual papers constitute Annexures I to VI of the Report. To gain first hand information of the reasons for State-wise and sponsor bank-wise divergences in the performance of RRBs, the Group requested the Regional Offices of the Reserve Bank at Mumbai, Bhubaneswar, New Delhi, Lucknow, and Patna to conduct a quick study for finding out the reasons for contrasting performances of RRBs in the States of Maharashtra, Orissa, Haryana, Uttar Pradesh, Bihar and Jharkand. Two good and two weak RRBs were selected in the States of Orissa and Maharashtra. Furthermore, two RRBs, one having good performance and the other having relatively poor performance sponsored by the same bank, viz., Bank of India and Punjab National Bank, were also selected for the quick study in other States. The Group also had detailed discussions with officials of NABARD and obtained their views on several issues as also data and other relevant information relating to RRBs.

2. An Overview of Role and Performance of RRBs

2.1 The Government of India promoted Regional Rural Banks (RRBs) through the RRBs Act of 1976 to bridge the gap in the flow of credit to the rural poor. Despite the various measures taken by the Government and the Reserve Bank through social control and the nationalisation of 14 major commercial banks, a large proportion of the rural poor remained outside the banking fold. A Working Group was appointed in 1975 under the Chairmanship of Shri M. Narsimham, to explore the possibilities of evolving an alternative rural credit agency to benefit the rural poor. The group recommended formation of a new set of regionally oriented rural banks which would combine the local feel and familiarity of rural problems characteristic of cooperatives and the professionalism and large resource base of commercial banks. Following the recommendation , RRBs were set up in 1975.

2.2 The RRBs have a special place in the multi-agency approach adopted to provide agricultural and rural credit in India. These banks are state-sponsored, regionally based and rural-oriented. The RRBs were established "with a view to developing the rural economy by providing, for the purpose of development of agriculture, trade, commerce, industry and other productive activities in the rural areas, credit and other facilities, particularly to small and marginal farmers, agricultural labourers, artisans and small entrepreneurs, and for matters connected therewith and incidental thereto"(RRBs Act,1976). Their equity is held by the Central Government, concerned State Government and Sponsor bank in the proportion of 50:15:35.

2.3 RRBs have played a key role in rural institutional financing in terms of geographical coverage, clientele outreach, business volume as also contribution to development of the rural economy. A remarkable feature of their performance over the past three decades has been the massive expansion of their retail network in rural areas. From a modest beginning of 6 RRBs with 17 branches covering 12 districts in December 1975, today, there are 196 RRBs with 14,446 branches working in 518 districts across the country . RRBs have a large branch network in the rural area forming around 43 per cent of the total rural branches of commercial banks. The rural orientation of RRBs is evident from the fact that their rural and semi-urban branches constituted over 97 per cent of their branch network.

2.4 RRBs, with their wide outreach in rural India, region-centric banking activities and close relationship with the local authorities and population, were expected to cater to the credit requirements of the rural areas and provide necessary banking infrastructure. Though the RRBs have been able to mobilize small savings of the rural sector, they have been relatively less successful in enhancing the flow of credit to the targeted rural poor.

2.5 Aggregate deposits of RRBs increased from Rs.4,151 crore in 1990 to Rs.56,350 crore by March, 2004 owing mainly to their geographical spread and opening of new branches in unbanked areas. The advances of RRBs increased from Rs.3,554 crore to Rs.26,114 crore during the above period. Notwithstanding the sharp increase, RRBs advances constituted just around 2 per cent of the banking systems credit portfolio. The share of RRBs in total agriculture credit (given by scheduled commercial banks, cooperatives and RRBs) has remained at around 9 per cent, despite their strong rural outreach. The average per branch advances increased from Rs.25 lakh in March 1990 to Rs.154 lakh in March 2003. There are wide state-wise differences in credit deployment by RRBs.

2.6 During the year 2003-04, 163 RRBs earned profits amounting to Rs.953 crore while 33 RRBs incurred losses to the tune of Rs.184 crore. Ninety RRBs had accumulated losses as on March 31, 2004. Aggregate accumulated losses of RRBs amounted to Rs. 2,725 crore during the year 2003-04. Of the 90 RRBs having accumulated losses, 53 RRBs had eroded their entire owned funds and also a part of their deposits (i.e., to the extent of Rs.1,660 crore or 11.75 per cent of the total deposits of these banks).

2.7 The percentage of recovery to demand has progressively improved in the RRBs from as low as 57 per cent as on June 30, 1997 to more than 75 per cent as on June 30, 2003. The percentage of gross NPAs which was as high as 27.8 per cent as on March 31, 1999 declined to 12.6 per cent during the year ending March 31, 2004. NPAs in absolute terms stood at Rs.3,299 crore as on March 31,2004. 103 RRBs had percentage of gross NPAs less than the national average, while 93 RRBs had NPAs more than the national average. The Credit- Deposit (CD) Ratio stood at 46.3 per cent as on March 31, 2004. There were 50 RRBs having CD ratio of more than 60 per cent as on that date while 87 banks had a ratio of less than 40 per cent.

3. Major Recommendations of the Earlier Committees/ Working Groups on RRBs

3.1 During the 30 years of existence of RRBs, several Working Groups and Committees were set up at various points of time to deliberate on issues relating to RRBs and suggest measures to address the same. The focus has varied over time depending on the immediate concerns and the prevailing policy regime. While some of the issues relating to RRBs have lost their significance over time, others have become more relevant. Some of the recommendations of earlier committees which continue to be important in the context of repositioning of RRBs in the credit delivery system were examined afresh by the Group.

3.2 Some of the important recommendations currently relevant are as follows:

- The Board of Directors of RRBs should have district development officials, persons with local knowledge and bank officials so as to have a proper mix of technical, banking and local needs/ aspirations.
- Chairman should be appointed by the Board of RRB, with the concurrence of RBI.
- Small and uneconomic RRBs should be merged in the interest of economic viability.
- There is a need for professionalisation of the Boards of RRBs.
- Adequate autonomy should be given to the Board of Directors for decisions on all matters relating to business and staff matters, without having to refer to apex authorities.
- Very weak RRBs may be viewed separately and possibility of their liquidation be recognized.
- Role overlap between RBI, NABARD and Sponsor banks should be avoided
- Deputation of staff from surplus to deficit RRBs, outsourcing and redeployment of staff, to manage manpower surplus/shortage in different RRBs may be considered
- The entire system of RRBs may be consolidated, while retaining the advantages of regional character of these institutions. As part of the process, some sponsor banks may be eased out.
- In the post-consolidation scenario, RRBs may be permitted to set up currency chests.
- Each RRB must evolve its own operational policies, including those on staff matters. They should also undertake exercises on succession planning and age group analysis of their staff to take care of the large-scale vacancies in the near future.

4. Factors influencing the performance of RRBs

4.1 Since their inception, the financial health of RRBs has been indifferent. A host of factors, both internal and external, have had a bearing on the performance of RRBs. Some of the major factors that had a bearing on the performance of RRBs are as follows:

i) ***Area of operation:*** The RRBs are constrained in their operations by their limited area of operation. This coupled with their narrow base of business activities and the low clientele base, has resulted in high risk exposure of RRBs.

ii) ***Clientele base:*** The customers of RRBs comprise small and marginal farmers, small-scale sector, small transport operators, SHGs, etc., whose credit requirements are mostly small. RRBs are unable to cross-subsidise their lending business as they do not generally provide credit to wealthy borrowers with large needs, thereby affecting their capacity to earn higher incomes.

iii) ***Capital base:*** RRBs as a group have a low capital base, and their authorised capital of Rs.1 crore places serious limitations on their business size. Furthermore, in the case of some of the RRBs their deposit liabilities are very large compared to their capital base. For instance, as as on March 31, 2004 while 2 RRBs had deposit liabilities of over Rs 1,000 crore, 24 RRBs had a deposit base ranging between Rs.500 to Rs.1,000 crore, and 146 RRBs had deposit liabilities between Rs.100 to Rs.500 crore. In view of their low capital base, in the event of inefficient use/misuse of funds resulting in a financial problem, the stakeholders would have to bail out the bank.

iv) ***Organisational structure:*** The size of financial assets, as well as linkages which are necessary for effective banking services has been limited by the small organisational structure of RRBs. This has also come in the way of growth in business volumes and garnering a larger share of the rural financial market.

v) ***Loan delinquencies:*** RRBs loan recovery rates have declined over the years, resulting in a large over hang of NPAs (around Rs.3,200 crore) as discussed earlier, which has come in their way of recycling funds and increasing the flow of credit to the rural sector. The directed lending policy for RRBs has resulted in low quality of assets. This coupled with high cost of funds and below cost interest rates on loans has led to high accumulated losses and piling up of bad assets in the case of many RRBs.

vi) ***Cost structure:*** RRBs are characterized by high cost of servicing numerous small accounts and high wage cost. Furthermore, RRBs get credit from sponsor banks and refinance from NABARD at rates of interest higher than the market rates. This places limitations on their ability to reduce the rates they charge to their ultimate borrowers, although they are compelled to do so on account of competition from banks.

vii) ***Perceived as specialised bank:*** There has been an uneven growth of RRBs due to the diffusion in the perceived objectives of RRBs over time. Despite the pressures of credit expansion, improvement in recovery performance, profit orientation and strict compliances to banking norms, the general perception has been that RRBs have got only social objectives, without any viability consideration, which has to be changed.

viii) ***Financial management skills:*** Poor financial management skills, coupled with pressures from various quarters (like sponsor banks) appears to have resulted in inefficient allocation of resources by RRBs which in turn is reflected in the high incidence of NPAs and parking of large funds with sponsor banks (policy changed in 2002-03) .

ix) ***Staff structure:*** Limited exposure and lack of appropriate training, has resulted in RRBs staff lacking the necessary skills and capacity to cater to the changing requirements of the rural sector. Furthermore, the ban on recruitment has also resulted in ageing staff structure constraining efficiency in operations. Uniform norms and personnel policies have been applied to RRBs through out the country ignoring local touch thereby causing staff unrest, poor industrial relations, innumerable litigations and lowering of staff morale as also their involvement with the development tasks (Rao Committee, 2002).

x) ***Dependence on sponsor banks***: Another weakness observed in the case of RRBs is their failure to adequately integrate with the financial markets of the country due to their heavy dependence on sponsor banks for financial/ business initiatives. RRBs are also some times perceived as potential competitors, due to the presence of the sponsor banks in the same area of operation. Despite the best intentions at the policy levels in sponsor banks, the RRBs have suffered at the ground level wherever there has been any conflict of business interests of RRBs and their sponsor banks. RRBs have therefore, not been able to establish systems and procedures required for providing efficient services to their clients, as also for efficient management of their financial resources.

xi) ***Professionalism in management:*** The Chairmen of most of the RRBs are from sponsor banks, which limits the freedom and decision making capacity of the RRBs. Even for small matters RRBs have to refer to their sponsor banks, which leads to delay in decision-making and reduces efficiency. Furthermore, the Board of Directors of RRBs may not always function effectively as some of the members do not have necessary skills and expertise to take important financial decisions.

xii) ***Erosion of deposits****:* In the case of few RRBs, there has also been an erosion of public deposits, besides capital.

4.2 Besides the above, functioning of RRBs has also been affected by certain legacy problems and policy constraints. The administered interest rate regime prevalent in the system for a considerably long time influenced the performance of RRBs. These banks were required to lend at low interest rates as they were financing the weaker sections and at the same time allowed to pay a slightly higher rate of interest on deposits.

4.3 The RRBs were required to maintain their local character or flavour with a view to identifying more with the rural populace. This was initially embedded in the wage structure designed for these banks. However, the change in the wage structure of RRBs by bringing them on par with the commercial banks led to higher wage costs, thereby affecting the performance of these banks.

4.4 To address the problem of poor performance of the RRBs, several RRBs were re-capitalised between 1994-95 to 1999-2000. Simultaneously, prudential guidelines were made applicable to them and certain restrictions were imposed on them with a view to improving the quality of their assets and ensuring better recovery of loans. This affected the flexibility of the banks, which were already reeling under severe operational difficulties. It would appear that the performance of RRBs cannot be judged on the basis of the same parameters as applicable in the case of commercial banks, without taking into account the policy and administrative constraints impinging on their performance.

4.5 A quick study carried out by a few Regional Offices of the Rural Planning and Credit Department has revealed that the factors leading to positive performance of RRBs can be summed up as follows:

- Reduction in cost of funds – increase in low cost deposits;
- Expansion of credit portfolio;
- Leadership provided by the Chief Executive and the Board;
- Higher staff and branch productivity; and
- Low level of NPAs.

5. Recommendations

5.1 The RRBs, set up with the intention of extending credit to the rural poor, have succeeded in the objective of taking banking services to the villages, but have failed to make a clear dent on credit to the rural poor during the past 30 years of their existence. This has to be viewed in the context of the policy framework for rural development adopted in India with focus on income and employment generation and poverty alleviation. The renewed emphasis on agricultural and rural development by the Government of India would lead to a growing demand for different types of financial services in the rural areas, as the financial needs of the rural economy become diversified. The present structure of rural credit may not be able to fully cater to the same. The cooperative credit structure suffers from many infirmities and, hence, the RRB network will have to be leveraged for benefitting the rural areas. RRBs, therefore have to provide a larger share of credit disbursed calling for much larger resource mobilization as also greater efforts for their institutional strengthening. Thus, on the one hand, the concept of RRBs has to be pursued in the interest of the rural economy and on the other, the RRBs have an opportunity to cash in on the gap between demand and supply of banking services.

5.2 The Group examined various alternatives available within the existing legal framework for strengthening and improving the health of RRBs and converting them into viable rural financing institutions. The suggestions/options of the Group are given below. They form a comprehensive package of measures and may not yield the desired effect if implemented in isolation.

Restructuring Options

i) Merger/ Amalgamation

5.3 There is a large variation in the number of districts covered and the branch network of the RRBs. While 47 RRBs cover only one district each, 111 RRBs cover 2-3 districts, 29 RRBs 4-5 districts and 9 are operating in 6-9 districts. Similarly, 72 RRBs have up to 50 branches, 87 RRBs have 51-100 branches, 21 RRBs have 101-150 branches and 16 have more than 150 branches.

5.4 As many as 6 sponsor banks have only one RRB sponsored by them. While 11 sponsor banks have 2-4 sponsored RRBs, 3 sponsor banks have up to 10 RRBs and 8 sponsor banks have more than 10 RRBs sponsored by them in various States. Of these, only 2 sponsor banks have more than 20 RRBs.

5.5 To improve the operational viability of RRBs and take advantage of the economies of scale (by reducing transaction cost, etc.), the route of merger/amalgamation of RRBs may be considered taking into account the views of the various stakeholders. The merged entities will have a larger area of operation and the merger process will help in strengthening some of the weak RRBs. The following options are available :

- Merger between RRBs of the same sponsor bank in the same State.
- Merger of RRBs sponsored by different banks in the same State.

The process will bring down the number of RRBs and make it more convenient for the sponsor banks to manage the affairs of the RRB. Merger of RRBs with the sponsor bank is not provided for in the RRBs Act 1976 and further, such mergers would go against the spirit of setting up of RRBs as local entities and for providing credit primarily to weaker sections.

ii) Change of Sponsor Banks

5.6 An analysis of the performance of RRBs has revealed that there has been variations in their performance across the States and sponsor banks. While performance of RRBs under some sponsor banks are markedly better than those under the others, the Group is of the view that a change in sponsor banks may in some cases help in improving the performance of RRBs. A change in sponsorship may inter alia improve the competitiveness, work culture, management and efficiency of the concerned RRBs. For this, new banks-both public and private sector banks- could be considered.

5.7 The RRBs Act, 1976 does not specifically provide for the transfer of sponsorship from one sponsor bank to another. However, provisions have been made under Section 23 A of the Act for the Central government to effect amalgamation of Regional Rural Banks. Accordingly, the Central Government may, after consultation with the National Bank, the State Government concerned and the Sponsor bank amalgamate two or more RRBs into a single RRB in the public interest or in the interest of development of the area served by the RRBs or in the interest of RRBs themselves by notification in the Official Gazette. The constitution, property, powers, rights and liabilities of the transferee (the amalgamated entity) shall all be as specified in the Notification. The Government may, in the process of amalgamation, consider bringing in new banks, as mentioned in Para 5.6, as sponsors of the merged RRBs.

iii) Balance sheet strengthening

5.8 The merged entities and the existing RRBs that have accumulated losses can be capitalized to wipe out the loss and satisfy the minimum capital requirement. The additional capital shall be subscribed in the same proportion as the issued capital by the different stakeholders, as provided in the RRB Act, 1976.

iv) Other options

5.9 For those RRBs which do not turn around within a specified time limit, say 3 years, an exit route may be considered subject to extant legal provisions. The fact that there could be an exit route may be made explicit, so that all the stakeholders are aware and well prepared for the same.

Minimum capital requirements

5.10 RRBs are public entities with the avowed objective of providing credit in rural areas to small and marginal farmers, artisans, etc. The fundamental principle that owners' stake in business should be in proportion to the size and risk of the business should be observed. At present there is no capital to risk weighted asset ratio (CRAR) prescription for RRBs. Thus, RRBs could be advised to maintain a desirable level of capital adequacy. However, it is felt that while RRBs are required to maintain CRAR, the ratio may not be as high as that of commercial banks and may be initially kept at 5 per cent as about 100 RRBs are falling short of 5% CRAR. Over time, they may be expected to align themselves with the Basle I norms. The level of additional capital required for various levels of CRAR are indicated below.

	3%	5%	8%
Number of RRBs not meeting CRAR of	87	98	111
Additional capital required for meeting CRAR at (Rs. in crore)	2840	3050	3430

(As on March 2004)

5.11 To wipe out accumulated losses, provide for the NPAs, and maintain 5 per cent CRAR for the RRBs in the existing scenario, capital to the extent of around Rs.3,050 crore would have to be infused with appropriate conditionalities. The capital to be infused is to be shared by the stakeholders as per the respective proportions as provided in the Act. RRBs having CRAR more than 5 per cent and making profits in the last 3 years and having no accumulated loss may be allowed to raise funds by way of instruments in the nature of Tier II capital also.

Governance and Management

5.12 Various issues pertaining to governance, business development, human relations and other aspects were examined by the Group and the following measures could be considered for addressing these issues:

i) As the Chairmen of RRBs are from the sponsor bank, there could be several potential areas of conflicts of interest. In this context, the process of appointment may be re-examined to explore the possibility of appointing a Chairman from the open market through a transparent process.

ii) The lack of freedom to take any commercial decisions has resulted in apathy of the Boards towards the RRBs (Khusro Committee, 1989). The Committee also noted that Boards of RRBs did a poor job of monitoring their performance because they did not have any interest in the affairs of the bank. Some of the earlier committees on RRBs have emphasized the need for professionalisation of the Boards of RRBs. It has also been observed that in certain cases appointees not familiar with technical and operational aspects of banking and finance were inducted in the Boards of RRBs. For strengthening the Boards of RRBs, the composition of the Board may be changed. This could be done by making the Board broad-based through inducting professionals such as agricultural experts, bankers, management experts, etc.

iii) One of the constraints in improving the performance of RRBs is the relatively unskilled and ageing staff structure. To address this, an appropriate recruitment policy providing for greater flexibility and freedom may be required for RRBs. This would enable them to recruit competent and skilled staff from the open market.

iv) The sponsor bank should provide appropriate advice in the matters relating to human resources management viz., promotions, posting, transfer, etc., in order to enable them to deal with all situations arising out of restructuring of these banks mentioned above.

v) The sponsor bank may consider posting appropriate number of specialized staff to help the RRBs in professionalising their advances portfolio, risk management, etc.

vi) The Chairman and other officials posted in RRBs may have a fixed tenure of 3-5 years to ensure continuity in planning and execution of various policies.

vii) There is at present no adequate incentives for managers and staff of RRB to put in greater efforts to convert their branches into profit centres. An appropriate incentive structure and career planning may be evolved to increase the productivity and profitability of RRBs.

viii) In order to improve the productivity and efficiency of the employees of RRBs, relevant training, especially in areas like skill upgradation and information technology, may have to be provided to them. This would also enable them to take up new activities with the newly acquired skills.

ix) In order to meet the challenge of increasing the credit dispensation and to bring about greater efficiency in operations, RRBs may consider introduction of new products and also streamline their business processes.

Regulation and Supervision

5.13 In terms of the Banking Regulation Act, 1949, the powers relating to inspection 'as exercisable by the Reserve Bank in relation to RRBs, are exercised by NABARD without prejudice to the exercise of such powers by the Reserve Bank in relation to any RRB whenever it considers necessary to do so'. This was done on the recommendations of Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD) for the reason that it would be convenient to entrust the work of statutory inspection and its follow up to NABARD, which in any case has to undertake assessment on similar lines of the institutions financed by it (as stated in Appendix-III of the report of CRAFICARD). However, there is a clear distinction between the supervision to ensure that the affairs of the RRBs are carried out in a manner which is not detrimental to the interests of the depositors, and that done by a refinancing institution to satisfy itself that the on-lending operations have been conducted with due care and diligence. There could also be situations where potential conflicts of interest may arise between the supervisory and developmental functions of NABARD. By virtue of the provisions of RBI Act 1934, certain responsibilities are cast upon RBI in the case of scheduled banks. RRBs, by inception are scheduled and hence it would be appropriate if both the regulatory and supervisory functions relating to RRBs are exercised by the RBI.

Improving profitability

5.14 RRBs, to be on a sustainable business model in the long run, need risk management tools (including ALM), albeit on a less sophisticated scale as compared to commercial banks. Certain basic guidelines on risk management may, therefore, be made applicable to them. Furthermore, to facilitate their balance sheet management, RRBs may be encouraged to employ certain instruments like Certificates of Deposit / Inter-bank Participation Certificates, etc., wherever necessary.

5.15 To increase their non-interest income, RRBs may be encouraged to actively consider distribution of products of mutual fund/insurance companies, etc. and also participate in referral arrangement therefor. RRBs could also focus more on other non-fund based business like offering consultancy services to farmers, issuing drafts, etc.

5.16 In order to improve profitability and productivity, RRBs may rationalize their branch network.

5.17 With a view to increasing the avenues for credit deployment, RRBs may be encouraged to participate in consortium lending within their area of operation.

5.18 State Governments may consider empowering RRBs to collect their taxes.

5.19 RRBs may strengthen their recovery mechanism with necessary support from the State Governments.

5.20 RRBs may be considered for currency chest facility.

5.21 New initiatives are being taken in rural areas by institutions/ organizations which are active in rural development. RRBs may actively consider fostering links with such organizations to provide avenues for innovative financing.

6. Conclusion

6.1 After nearly three decades of existence, the RRBs are facing many constraints warranting an over haul and a serious consideration on the part of the policy makers for their strengthening. In order to reposition the RRBs as effective instruments within the existing legal framework, a number of options have been explored in the Report by the Group which includes merger / amalgamation, change of sponsor banks, balance sheet strengthening, maintaining minimum capital, governance and management issues, regulatory and supervisory aspects and methods for improving profitability of RRBs. These options are not mutually exclusive, but complementary to each other. In the context of the need to increase rural credit and to deliver better services in the rural areas there is a sense of urgency to reposition the RRBs in the financial system. Only then can RRBs meet the expectations of becoming vibrant rural financial institutions capable of meeting the growing requirements of rural India.

Annexure I

Review of performance of RRBs - State wise and Sponsor Bank wise analysis

1. INTRODUCTION

1.1 The Regional Rural Banks (RRBs), with focus on serving the rural areas, form an integral segment of the Indian banking system. As on 31 March 2004, 196 RRBs operated with a network of 14446 branches covering 518 districts. Most of the branches of the RRBs, constituting more than one third of the total rural branches of all the scheduled commercial banks, operate in rural areas.

1.2 RRBs are jointly owned by Government of India, the concerned State Government and Sponsor Banks (27 Scheduled commercial banks and one State Cooperative Bank). The issued capital of a RRB is shared by them in the proportion of 50%, 15% and 35% respectively. The RRBs grant loans and advances mostly to small and marginal farmers, agricultural labourers and rural artisans.

1.3 The State wise and Sponsor bank wise distribution of RRBs is as under:

SR NO	STATE	NO OF RRBS	SR NO	BANK	NO OF RRBS
1	ANDHRA PRADESH	16	1	ALLAHABAD BANK	7
2	ARUNACHAL PRADESH	1	2	ANDHRA BANK	3
3	ASSAM	5	3	B.O.B	19
4	BIHAR	16	4	B.O.I	16
5	CHHATTISGARH	5	5	B.O.M	3
6	GUJARAT	9	6	B.O.RAJASTAN	1
7	HARYANA	4	7	C.B.I	23
8	HIMACHAL PRADESH	2	8	CANARA BANK	8
9	JAMMU & KASHMIR	3	9	CORPORATION BANK	1
10	JHARKHAND	6	10	DENA BANK	4
11	KARNATAKA	13	11	I.O.B	3
12	KERALA	2	12	INDIAN BANK	4
13	MADHYA PRADESH	19	13	J&K BANK	2
14	MAHARASHTRA	10	14	P&S BANK	1
15	MANIPUR	1	15	P.N.B	19
16	MEGHALAYA	1	16	S.B.B.J	3
17	MIZORAM	1	17	S.B.H	4
18	NAGALAND	1	18	S.B.I	30
19	ORISSA	9	19	S.B.IND	1
20	PUNJAB	5	20	S.B.M	2

21	RAJASTHAN	14	21	S.B.P	1
22	TAMILNADU	3	22	S.B.S	3
23	TRIPURA	1	23	SYNDICATE	10
24	UTTAR PRADESH	36	24	U.B.I	11
25	UTTARANCHAL	4	25	UCO BANK	11
26	WEST BENGAL	9	26	U.P.S.C.BANK	1
			27	UNION BANK OF INDIA	4
TOTAL		196		TOTAL	196

1.4 The 196 RRBs spread over 518 districts vary widely in coverage and size. While 45 RRBs cover just one district each, 109 cover 2-3 districts each, 29 RRBs services 4-5 districts while 13 RRBs have a service range of 6-9 districts each. Further, 70 RRBs have up to 50 branches each, 109 RRBs have between 51-150 branches each, while 17 RRBs have over 150 branches each. The rural and semi urban branches of RRBs constitute 98% of their branch network.

1.5 RRBs have witnessed far-reaching changes in their functioning since the introduction of the banking sector reforms as part of the financial sector reforms. RRBs which were lending only to target groups were allowed to finance non-target groups to the extent not exceeding 40% of their incremental lending w.e.f. 12.9.1992 which was subsequently enhanced to 60% w.e.f. 1.1.1994. Lending targets under Priority Sector at 60% was also fixed effective from the year 2003-04.

A brief description of the working results of RRBs is presented in the following paragraphs, State wise and Sponsor Bank wise. The state wise and sponsor bank wise details of the parameters mentioned below are given in Annexures A & B respectively.

2. State wise analysis - Andhra Pradesh

2.1 The State has 16 RRBs as given below.

Sl. No	Name of the RRB	Sponsor Bank
1	CHAITANYA GB	ANDHRA
2	GODAVARI GB	ANDHRA
3	GOLCONDA GB	S.B.H
4	KAKATHIYA GB	S.B.I
5	KANAKADUGRA GB	INDIAN
6	MANJIRA GB	S.B.I
7	NAGARJUNA GB	S.B.I
8	PINAKINI GB	SYNDICATE
9	RAYALSEEMA GB	SYNDICATE
10	SANGAMESHWRA GB	S.B.I
11	SHRI SATHAVAHANA GB	S.B.H
12	SHRI VENKETESHWARA GB	INDIAN
13	SREE ANANTHA GB	SYNDICATE
14	SRI SARASWATHI GB	S.B.H
15	SRI VISAKHA GB	S.B.I
16	SRIRAMA GB	S.B.H

2.2 The 16 RRBs covered 23 districts in the State and comprised of 1170 branches with a staff strength of 5717. Of the 16 RRBs only one (Kakatiya Grameen Bank) was loss making (Rs. 3.36 crore) as on March 31, 2004. 13 RRBs in the state did not had accumulated losses, while 3 recorded accumulated losses to the tune of Rs. 29.18 crore. The profits of all the RRBs in the State put together stood at Rs. 121.53 crore.

2.3 As on March 31, 2004, the average CD ratio of the RRBs in the State was 71.77%, the recovery was 70.96% and the gross NPA stood at 8.09 %.

3. Arunachal Pradesh

3.1 The State had only one RRB covering 6 districts with 17 branches and a staff strength of 62 as on March 31, 2004 and is sponsored by SBI. The bank had accumulated losses to the tune of Rs. 24.52 crore and recorded a loss to the tune of Rs. 2.17 crore as on March 31, 2004.

3.2 As on March 31, 2004, the CD ratio of the RRB in the State was 58.31%, the recovery was 22.61% and the gross NPA stood at 74.41 %, the highest among RRBs in the country.

4. Assam

4.1 The State has 5 RRBs as indicated below.

Sl. No	Name of the RRB	Sponsor Bank
1	CACHAR GB	U.B.I
2	LAKHIMI GB	U.B.I
3	LANGPI DEHANGI RB	S.B.I
4	PRAGJYOTISH GB	U.B.I
5	SUBANSIRI GB	U.B.I

4.2 As on March 31, 2004, the 5 RRBs covered 24 districts in the State and comprised of 398 branches with a staff strength of 1964. All the 5 RRBs put together recorded profits to the tune of Rs. 14.73 crore. All the RRBs had accumulated losses to the tune of Rs. 89.58 crore.

4.3 As on March 31, 2004, the average CD ratio of the RRBs in the State was 38.42%, the recovery was 58.41% and the gross NPA stood at 14.07 %.

5. Bihar

5.1 The State has 16 RRBs as given below.

Sl. No	Name of the RRB	Sponsor Bank
1	BEGUSARAI KGB	U.C.O
2	BHAGALPUR-BANKA KGB	U.C.O
3	BHOJPUR ROHTAS GB	P.N.B
4	CHAMPARAN KGB	C.B.I
5	GOPALGANJ KGB	C.B.I
6	KOSI KSH GB	C.B.I
7	MADHUBANI KGB	C.B.I
8	MAGADH GB	P.N.B
9	MITHILA KGB	C.B.I
10	MONGHYR KGB	U.C.O
11	NALANDA GB	P.N.B
12	PATALIPUTRA GB	P.N.B
13	SAMASTIPUR KGB	S.B.I
14	SARAN KGB	C.B.I
15	SIWAN KGB	C.B.I
16	VAISHALI KGB	C.B.I

5.2 The 16 RRBs covered 38 districts in the State and comprised of 1486 branches with a staff strength of 6278. Of the 16 RRBs 9 recorded losses to the tune of Rs. 85.63 crore as on March 31, 2004. 6 RRBs in the state did not had accumulated losses, while 10 recorded accumulated losses to the tune of Rs. 611.98 crore . The profits of all the RRBs in the State put together stood at Rs. 48.52 crore.

5.3 As on March 31, 2004, the average CD ratio of the RRBs in the State was 27.85%, the recovery was 60.92% and the gross NPA stood at 18.86 %.

6. Chattisgarh

6.1 The State has 5 RRBs as indicated below.

Sl. No	Name of the RRB	Sponsor Bank
1	BASTAR KGB	S.B.I
2	BILASPUR-RAIPUR KGB	S.B.I
3	DURG-RAJNANDGAON GB	DENA
4	RAIGARH KGB	S.B.I
5	SURGUJA KGB	C.B.I

6.2 As on March 31, 2004, the 5 RRBs covered 17 districts in the State and comprised of 436 branches with a staff strength of 1804. All the 5 RRBs put together recorded profits to the tune of Rs. 17.73 crore. All the RRBs had accumulated losses to the tune of Rs. 132.42 crore.

6.3 As on March 31, 2004, the average CD ratio of the RRBs in the State was 27.53%, the recovery was 69.02% and the gross NPA stood at 14.83 %.

7. Gujarat

7.1 The State has 9 RRBs as indicated below.

Sl. No	Name of the RRB	Sponsor Bank
1	BANASKANTHA-MEHSANA GB	DENA
2	JAMNAGAR GRAMIN BK	S.B.S
3	JUNAGADH-AMRELI GB	S.B.S
4	KUTCH GB	DENA
5	PANCHMAHAL GB	B.O.B
6	SABARKANTHA-GANDHINAGAR GB	DENA
7	SURAT-BHARUCH GB	B.O.B
8	SURENDRANAGAR-BHAVNAGAR GB	S.B.S
9	VALSAD-DANGS GB	B.O.B

7.2 As on March 31, 2004, the 9 RRBs covered 23 districts in the State and comprised of 376 branches with a staff strength of 1613. All the 9 RRBs put together recorded profits to the tune of Rs. 28.36 crore. 2 RRBs had accumulated losses to the tune of Rs. 21.99 crore.

7.3 As on March 31, 2004, the average CD ratio of the RRBs in the State was 45.09%, the recovery was 76.53% and the gross NPA stood at 12.53 %.

8. Haryana

8.1 The State has 4 RRBs as indicated below.

Sl. No	Name of the RRB	Sponsor Bank
1	AMBALA KURUKSHETRA GB	P.N.B
2	GURGAON GB	SYNDICATE
3	HARYANA KGB	P.N.B
4	HISSAR-SIRSA KGB	P.N.B

8.2 As on March 31, 2004, the 4 RRBs covered 18 districts in the State and comprised of 295 branches with a staff strength of 1579. All the 4 RRBs put together recorded profits to the tune of Rs. 57.36 crore. 1 RRBs had accumulated losses to the tune of Rs.4.05 crore.

8.3 As on March 31, 2004, the average CD ratio of the RRBs in the State was 55.56%, the recovery was 84.73% and the gross NPA stood at 5.39 %.

9. Himachal Pradesh

9.1 The State has 2 RRBs as indicated below.

Sl. No	Name of the RRB	Sponsor Bank
1	HIMACHAL GB	P.N.B
2	PARVATIYA GB	S.B.I

9.2 As on March 31, 2004, the 2 RRBs covered 7 districts in the State and comprised of 133 branches with a staff strength of 581. The 2 RRBs put together recorded profits to the tune of Rs. 9.16 crore. None of the RRBs had accumulated losses.

9.3 As on March 31, 2004, the average CD ratio of the RRBs in the State was 25.58%, the recovery was 80.79% and the gross NPA stood at 7.41 %.

10. Jammu & kashmir

10.1 The State has 3 RRBs as indicated below.

Sl. No	Name of the RRB	Sponsor Bank
1	ELLAQUI DEHATI BANK	S.B.I
2	JAMMU RB	J&K BANK
3	KAMRAZ RB	J&K BANK

10.2 As on March 31, 2004, the 3 RRBs covered 13 districts in the State and comprised of 266 branches with a staff strength of 1214. One RRB recorded profits to the tune of Rs.11.98 crore. 2 RRBs had losses to the tune of Rs.10.84 crore and accumulated losses to the tune of 81.97 crore.

10.3 As on March 31, 2004, the average CD ratio of the RRBs in the State was 20.79%, the recovery was 63.85% and the gross NPA stood at 11.07 %.

11. Jharkand

11.1 The State has 6 RRBs as indicated below.

Sl. No	Name of the RRB	Sponsor Bank
1	GIRIDIH KGB	B.O.I
2	HAZARIBAGH KGB	B.O.I
3	PALAMAU KGB	S.B.I
4	RANCHI KGB	B.O.I
5	SANTHAL PARGANAS GB	S.B.I
6	SINGHBHUM KGB	B.O.I

11.2 As on March 31, 2004, the 6 RRBs covered 21 districts in the State and comprised of 390 branches with a staff strength of 1606. 3 RRBs recorded profits to the tune of Rs.6.01 crore. 3 RRBs had losses to the tune of Rs.11.61 crore and 4 RRBs had accumulated losses to the tune of 131.90 crore.

11.3 As on March 31, 2004, the average CD ratio of the RRBs in the State was 26.42%, the recovery was 44.94% and the gross NPA stood at 24.40 %.

12. Karnataka

12.1 The State has 13 RRBs as indicated below.

Sl. No	Name of the RRB	Sponsor Bank
1	BIJAPUR GB	SYNDICATE
2	CAUVERY GB	S.B.M
3	CHICKMAGALUR-KODAGU GB	CORPN
4	CHITRADURGA GB	CANARA
5	KALPATHARU GB	S.B.M
6	KOLAR GB	CANARA
7	KRISHNA GB	S.B.I
8	MALAPRABHA GB	SYNDICATE
9	NETRAVATI GB	SYNDICATE
10	SAHYADRI GB	CANARA
11	TUNGABHADRA GB	CANARA
12	VARADA GB	SYNDICATE
13	VISVESHWARAYA GB	VIJAYA

12.2 The 13 RRBs covered 29 districts in the State and comprised of 1113 branches with a staff strength of 5715. As on March 31, 2004, all RRBs recorded profits and the profits of all the 13 RRBs in the State put together stood at Rs. 104.47 crore. None of the RRBs had accumulated losses.

12.3 As on March 31, 2004, the average CD ratio of the RRBs in the State was 83.17%, the recovery was 75.41% and the gross NPA stood at 9.81 %.

13. Kerala

13.1 The State has 2 RRBs as indicated below.

Sl. No	Name of the RRB	Sponsor Bank
1	NORTH MALABAR GB	SYNDICATE
2	SOUTH MALABAR GB	CANARA

13.2 The 2 RRBs covered 10 districts in the State and comprised of 353 branches with a staff strength of 2546. As on March 31, 2004, the two RRBs recorded profits and the profits put together stood at Rs. 38.33 crore. None of the RRBs had accumulated losses.

13.3 As on March 31, 2004, the average CD ratio of the RRBs in the State was 95.49%, the highest amongst RRBs in the country, the recovery was 84.99% and the gross NPA stood at 7.52 %.

14. Madhya Pradesh

14.1 The State has 19 RRBs as indicated below.

Sl. No	**Name of the RRB**	**Sponsor Bank**
1	BUNDELKHAND KGB	S.B.I
2	CHAMBAL KGB	C.B.I
3	CHHINDWARA-SEONI KGB	C.B.I
4	DAMOH-PANNA-SAGAR KGB	S.B.I
5	DEWAS-SHAJAPUR KGB	B.O.I
6	GWALIOR-DATIA KGB	C.B.I
7	INDORE-UJJAIN KGB	B.O.I
8	JHABUA-DHAR KGB	B.O.B
9	KGB HOSHANGABAD	C.B.I
10	MAHAKAUSHAL KGB	U.C.O
11	MANDLA-BALAGHAT KGB	C.B.I
12	NIMAR KGB	B.O.I
13	RAJGARH-SEHORE KGB	B.O.I
14	RATLAM-MANDSAUR KGB	C.B.I
15	REWA-SIDHI GB	UNION
16	SHAHDOL KGB	C.B.I
17	SHARDA GB	ALLAHABAD
18	SHIVPURI-GUNA KGB	S.B.I
19	VIDISHA-BHOPAL KGB	S.B.IND

14.2 The 19 RRBs covered 47 districts in the State and comprised of 1053 branches with a staff strength of 4452. As on March 31, 2004, 14 RRBs recorded profits and the profits of 14 RRBs put together stood at Rs. 35.85 crore. 5 RRBs had losses to the tune of Rs.18.19 crore and 14 RRBs had accumulated losses to the extent of Rs. 232.13 crore.

14.3 As on March 31, 2004, the average CD ratio of the RRBs in the State was 41.87%, **the** recovery was 72.49% and the gross NPA stood at 13.47 %.

15. Maharashtra

15.1 The State has 10 RRBs as indicated below.

Sl. No	**Name of the RRB**	**Sponsor Bank**
1	AKOLA GB	C.B.I
2	AURANGABAD-JALNA GB	B.O.M
3	BHANDARA GB	B.O.I
4	BULDHANA GB	C.B.I
5	CHANDRAPUR-GADCHIROLI GB	B.O.I
6	MARATHWWADA GB	B.O.M
7	RATNAGIRI-SINDHUDURG GB	B.O.I
8	SOLAPUR GB	B.O.I

9	THANE GB	B.O.M
10	YAVATMAL GB	C.B.I

15.2 The 10 RRBs covered 20 districts in the State and comprised of 593 branches with a staff strength of 2431. As on March 31, 2004, 9 RRBs recorded profits and the profits of 9 RRBs put together stood at Rs. 16.36 crore. 1 RRB had losses to the tune of Rs.1.70 crore and 6 RRBs had accumulated losses to the extent of Rs.123.59 crore.

15.3 As on March 31, 2004, the average CD ratio of the RRBs in the State was 45.13%, the recovery was 64.22% and the gross NPA stood at 21.02 %.

16. Manipur

16.1 The State has only 1 RRB and is sponsored by United Bank of India, covering 9 districts, with 29 branches and a staff strength of 96. As on March 31, 2004, the RRB posted losses to the extent of Rs. 1.44 crore and had accumulated losses to the tune of Rs. 15.67 crore.

16.2 As on March 31, 2004, the CD ratio of the RRB in the State was 52.97%, the recovery was 51.80% and the gross NPA stood at 38.32 %.

17. Mehgalaya

17.1 The State has only 1 RRB and is sponsored by State Bank of India, covering 4 districts, with 51 branches and staff strength of 184. As on March 31, 2004, the RRB posted profit to the extent of Rs. 2.21 crore and had no accumulated losses.

17.2 As on March 31, 2004, the CD ratio of the RRB in the State was 26.31%, the recovery was 54.30% and the gross NPA stood at 29.36 %.

18. Mizoram

18.1 The State has only 1 RRB and is sponsored by State Bank of India, covering 8 districts, with 54 branches and staff strength of 175. As on March 31, 2004, the RRB posted profit to the extent of Rs. 0.38 crore and had accumulated losses to the extent of Rs. 5.19 crore.

18.2 As on March 31, 2004, the CD ratio of the RRB in the State was 40.36%, the recovery was 61.23% and the gross NPA stood at 24.02 %.

19. Nagaland

19.1 The State has only 1 RRB and is sponsored by State Bank of India, covering 5 districts, with 8 branches and staff strength of 27. As on March 31, 2004, the RRB posted losses to the extent of Rs. 0.41 crore and had accumulated losses to the tune of Rs. 1.99 crore.

19.2 As on March 31, 2004, the CD ratio of the RRB in the State was 41.64 %, the recovery was 61.17% and the gross NPA stood at 24.42 %.

20. Orissa

20.1 The State has 9 RRBs as indicated below.

Sl. No	**Name of the RRB**	**Sponsor Bank**
1	BAITARANI GB	B.O.I
2	BALASORE GB	U.C.O
3	BOLANGIR AGB	S.B.I
4	CUTTACK GB	U.C.O

5	DHENKANAL GB	I.O.B
6	KALAHANDI AGB	S.B.I
7	KORAPUT PANCHABATI GB	S.B.I
8	PURI GB	I.O.B
9	RUSHIKULYA GB	ANDHRA

20.2 The 9 RRBs covered 30 districts in the State and comprised of 831 branches with a staff strength of 4197. As on March 31, 2004, 5 RRBs recorded profits and the profits of 5 RRBs put together stood at Rs. 16.13 crore. 4 RRBs had losses to the tune of Rs.28.11 crore and 7 RRBs had accumulated losses to the extent of Rs.485.64 crore.

20.3 As on March 31, 2004, the average CD ratio of the RRBs in the State was 58.84%, the recovery was 67.38% and the gross NPA stood at 13.97 %.

21. Punjab

21.1 The State has 5 RRBs as indicated below.

Sl. No	Name of the RRB	Sponsor Bank
1	FARIDKOT-BHATINDA KGB	P&S BK
2	GURDASPUR-AMRITSAR KGB	P.N.B
3	KAPURTHALA-FEROZPUR KGB	P.N.B
4	MALWA GB	S.B.P
5	SHIVALIK KGB	P.N.B

21.2 The 5 RRBs covered 16 districts in the State and comprised of 203 branches with a staff strength of 746. As on March 31, 2004, all 5 RRBs recorded profits and the profits of 5 RRBs put together stood at Rs. 39.73 crore. No RRB had accumulated losses.

21.3 As on March 31, 2004, the average CD ratio of the RRBs in the State was 45.99%, the recovery was 91.66% , the highest amongst RRBs in the country and the gross NPA stood at 4.77 %.

22. Rajasthan

22.1 The State has 14 RRBs as indicated below.

Sl. No	Name of the RRB	Sponsor Bank
1	ALWAR-BHARATPUR AGB	P.N.B
2	ARAVALI KGB	B.O.B
3	BHILWARA-AJMER KGB	B.O.B
4	BIKANER KGB	S.B.B.J
5	BUNDI-CHITTORGARH KGB	B.O.B
6	DUNGARPUR-BANSWARA KGB	B.O.B
7	HADOTI KGB	C.B.I
8	JAIPUR NAGAUR AGB	U.C.O
9	MARUDHAR KGB	B.O.B
10	MARWAR GB	S.B.B.J

11	MEWAR AGB	B.O.RAJ.
12	SHEKHAWATI GB	P.N.B
13	SRIGANGANAGAR KGB	S.B.B.J
14	THAR AGB	U.C.O

22.2 The 14 RRBs covered 34 districts in the State and comprised of 1010 branches with a staff strength of 4333. As on March 31, 2004, 12 RRBs recorded profits and the profits of the 12 RRBs put together stood at Rs. 46.96 crore. 2 RRBs posted losses to the tune of Rs. 7.04 crore and 9 RRBs had accumulated losses to the extent of Rs. 179.69 crore.

22.3 As on March 31, 2004, the average CD ratio of the RRBs in the State was 45.00%, the recovery was 80.05% and the gross NPA stood at 8.38 %.

23. Tamil Nadu

23.1 The State has 3 RRBs as indicated below.

Sl. No	**Name of the RRB**	**Sponsor Bank**
1	ADHIYAMAN GB	INDIAN
2	PANDYAN GB	I.O.B
3	VALLALAR GB	INDIAN

23.2 The 3 RRBs covered 10 districts in the State and comprised of 209 branches with a staff strength of 1068. As on March 31, 2004, all 3 RRBs recorded profits and the profits of the 3 RRBs put together stood at Rs. 9.64 crore. None of the RRBs had accumulated losses.

23.3 As on March 31, 2004, the average CD ratio of the RRBs in the State was 84.98%, the recovery was 89.28% and the gross NPA stood at 4.21%, the lowest amongst RRBs in the country.

24. Tripura

24.1 The State has only 1 RRB and is sponsored by United Bank of India, covering 4 districts, with 87 branches and staff strength of 702. As on March 31, 2004, the RRB posted profit to the extent of Rs. 6.42 crore and had accumulated losses to the tune of Rs. 135 crore.

24.2 As on March 31, 2004, the CD ratio of the RRB in the State was 29.30%, the recovery was 44.56% and the gross NPA stood at 27.54 %.

25. Uttar Pradesh

25.1 The State has 36 RRBs as indicated below.

Sl. No	**Name of the RRB**	**Sponsor Bank**
1	ALIGARH KGB	CANARA
2	ALLAHABAD KGB	B.O.B
3	AVADH GB	B.O.I
4	BALLIA KGB	C.B.I
5	BARABANKI GB	B.O.I
6	BAREILLY KGB	B.O.B

7	BASTI GB	S.B.I
8	BHAGIRATH GB	ALLAHABAD
9	CHHATRASAL GB	ALLAHABAD
10	DEVI PATAN KGB	P.N.B
11	ETAH GB	CANARA
12	ETAWAH KGB	C.B.I
13	FAIZABAD KGB	B.O.B
14	FARRUKHABAD GB	B.O.I
15	FATEHPUR KGB	B.O.B
16	GOMTI GB	UNION
17	GORAKHPUR KGB	S.B.I
18	HINDON GB	P.N.B
19	JAMUNA GB	CANARA
20	KANPUR KGB	B.O.B
21	KASHI GB	UNION
22	KISAN GB	P.N.B
23	KSHETRIYA KISAN GB	U.P.S.C.B
24	MUZAFFARNAGAR KGB	P.N.B
25	PRATAPGARH KGB	B.O.B
26	PRATHAMA BANK	SYNDICATE
27	RAEBARELI KGB	B.O.B
28	RANI LAKSHMI BAI KGB	P.N.B
29	SAMYUT KGB	UNION
30	SARAYU GB	ALLAHABAD
31	SHAHJAHANPUR KGB	B.O.B
32	SRAVASTI GB	ALLAHABAD
33	SULTANPUR KGB	B.O.B
34	TULSI GB	ALLAHABAD
35	VIDUR GB	P.N.B
36	VINDHYAVASINI GB	ALLAHABAD

25.2 The 36 RRBs covered 69 districts in the State and comprised of 2844 branches with a staff strength of 14348. As on March 31, 2004, 35 RRBs recorded profits and the profits of the 35 RRBs put together stood at Rs. 295.26 crore. 1 RRB recorded losses to the extent of Rs.1.48 crore.9 RRBs had accumulated losses to the tune of Rs.135.37 crore.

25.3 As on March 31, 2004, the average CD ratio of the RRBs in the State was 36.38%, the recovery was 70.04% and the gross NPA stood at 16.27%.

26. Uttaranchal

26.1 The State has 4 RRBs as indicated below.

Sl. No	**Name of the RRB**	**Sponsor Bank**
1	ALAKNANDA GB	S.B.I
2	GANGA-YAMUNA GB	S.B.I
3	NAINITAL-ALMORA KGB	B.O.B
4	PITHORAGARH KGB	S.B.I

26.2 The 4 RRBs covered 13 districts in the State and comprised of 168 branches with a staff strength of 622. As on March 31, 2004, 3 RRBs recorded profits and the profits of the 3 RRBs put together stood at Rs. 7.44 crore. 1 RRB recorded losses to the extent of Rs.0.98 crore and had accumulated losses to the tune of Rs.2.95 crore.

26.3 As on March 31, 2004, the average CD ratio of the RRBs in the State was 32.72%, the recovery was 79.30% and the gross NPA stood at 11.86%.

27. West Bengal

27.1 The State has 9 RRBs as indicated below.

Sl. No	**Name of the RRB**	**Sponsor Bank**
1	BARDHAMAN GB	U.C.O
2	GAUR GB	U.B.I
3	HOWRAH GB	U.C.O
4	MALLABHUM GB	U.B.I
5	MAYURAKSHI GB	U.C.O
6	MURSHIDABAD GB	U.B.I
7	NADIA GB	U.B.I
8	SAGAR GB	U.B.I
9	UTTAR BANGA KGB	C.B.I

27.2 The 9 RRBs covered 20 districts in the State and comprised of 873 branches with a staff strength of 5189. As on March 31, 2004, 8 RRBs recorded profits and the profits of the 8 RRBs put together stood at Rs. 17.67 crore. 1 RRB recorded losses to the extent of Rs.10.62 crore and 7 RRBs had accumulated losses to the tune of Rs.280.44 crore.

27.3 As on March 31, 2004, the average CD ratio of the RRBs in the State was 39.77%, the recovery was 69.33% and the gross NPA stood at 14.57%.

28. The State wise viability position of RRBs as on March 31, 2004 is given under:

(Amount in Rs. lakhs)

Sr No	State Name	No of RRBs	Profit Earning				Loss Making	
			Without Accumulated Losses		With Accumulated Losses			
			No	Amount	No	Amount	No	Amount
1	ANDHRA PRADESH	16	13	10717.55	2	1435.48	1	336.44
2	ARUNACHAL PRADESH	1	0	0.00	0	0.00	1	217.83
3	ASSAM	5	0	0.00	5	1473.37		
4	BIHAR	16	6	4800.05	1	52.05	9	8563.9
5	CHHATTISGARH	5	0	0.00	5	1773.14		
6	GUJARAT	9	7	2457.53	2	378.97		
7	HARYANA	4	3	4433.20	1	1303.74		
8	HIMACHAL PRADESH	2	2	916.14	0	0.00		
9	JAMMU & KASHMIR	3	1	1198.63	0	0.00	2	1084.51
10	JHARKHAND	6	2	463.58	1	138.14	3	1161.06

11	KARNATAKA	13	13	10447.36	0	0.00		
12	KERALA	2	2	3833.12	0	0.00		
13	MADHYA PRADESH	19	5	1138.15	9	2447.53	5	1819.35
14	MAHARASHTRA	10	4	752.25	5	883.93	1	170.45
15	MANIPUR	1	0	0.00	0	0.00	1	144.26
16	MEGHALAYA	1	1	221.32	0	0.00		
17	MIZORAM	1	0	0.00	1	38.73		
18	NAGALAND	1	0	0.00	0	0.00	1	41.03
19	ORISSA	9	2	1383.52	3	230.09	4	2811.6
20	PUNJAB	5	5	3973.01	0	0.00		
21	RAJASTHAN	14	5	3956.86	7	740.13	2	704.69
22	TAMILNADU	3	3	964.62	0	0.00		
23	TRIPURA	1	0	0.00	1	642.58		
24	UTTAR PRADESH	36	27	26509.77	8	3016.84	1	148.84
25	UTTARANCHAL	4	3	744.51	0	0.00	1	98.12
26	WEST BENGAL	9	2	592.05	6	1174.95	1	1062.58
Grand Total		196	106	79503.22	57	15729.67	33	18364.7

28.2 163 RRBs earned profit at Rs.952.33 crore during the year 2003- 2004 compared to 156 RRBs earning profit at Rs.733.96 crore in the previous year. 33 RRBs incurred losses at Rs.183.65 crore as against 40 RRBs incurring losses amounting to Rs.214.67 crore in the previous year. Some of the changes in the profitability pattern are as under:

- 6 RRBs earning profit in the previous year slipped to losses during the current year.13 RRBs incurring losses in the previous year earned profit during the current year.

- Profit of 30 RRBs declined during 2004 over the previous year. Profit of 120 RRBs has increased during the year over the previous y ear.

- RRBs as a system earned a total net profit of Rs.768.68 crore during the year 2003-04 compared to Rs.519.29 crore in previous year registering a growth of Rs.48.03%. Increase in net profit in absolute term over the previous year amounted to Rs.249.39 crore. The Return on Capital (including Share Capital Deposits] works out to 33% in 2003-04 compared to 23% in the previous year.

- Out of the 33 RRBs incurring losses during 2003-04, 9 were in Bihar, 5 in Madhya Pradesh, 4 in Orissa, 3 in Jharkand, 2 each in Jammu & Kashmir and Rajastan and one each in the States of Andhra Pradesh, Arunachal Pradesh, Maharashtra, Manipur, Nagaland, Uttar Pradesh, Uttaranchal and west Bengal

- Out of the 33 loss making RRBs, 12 were sponsored by SBI, 10 by CBI, 4 by UCO bank, 2 by Bank of Baroda and 1 each by Bank of India, Jammu and Kashmir Bank, State Bank of Bikaner and Jaipur, United Bank of India and U.P SCB.
- Of the 28 sponsor banks, only 9 banks were sponsoring RRBs having losses. Of the 26 States where RRBs were operating, 12 states did not have loss making RRBs as on March 2004.

A graphical representation of health of RRBs in Various States is given in Annexure-C.

29. Sponsor bank wise analysis
The sponsor bank wise details are given in Annexure-D.

29.1 Allahabad Bank
The Bank sponsored 7 RRBs, 6 in the State of Uttar Pradesh and 1 in the State of Madhya Pradesh. As on March 31, 2004, all the 7 RRBs recorded profits and their profits put together stood at Rs. 55.24 crore. 2 RRBs, one each in Madhya Pradesh and Uttar Pradesh had accumulated losses to the extent of Rs. 7.57 crore as on March 31, 2004. The average recovery of the RRBs stood at 65.29% and the average gross NPA of the RRBs sponsored by the Bank was 16.76%.

29.2 Andhra Bank
The Bank sponsored 3 RRBs, 2 in the State of Andhra Pradesh and 1 in the State of Orissa. As on March 31, 2004, all the 3 RRBs, recorded profits and their profits put together stood at Rs.15.38 crore. None of the RRBs had accumulated losses as on March 31, 2004. The average recovery of the RRBs stood at 69.28% and the average gross NPA of the RRBs sponsored by the Bank was 8.66%.

29.3 Bank of Baroda
The Bank sponsored 19 RRBs, 9 in the State of Uttar Pradesh, 5 in Rajasthan, 1 in Madhya Pradesh, 1 in Uttaranchal and 3 in the State of Gujarat. As on March 31, 2004, 17 RRBs sponsored by the Bank, recorded profits and their profits put together stood at Rs. 69.74 crore. 2 RRBs, one each in Madhya Pradesh and Rajastan had losses to the tune of Rs. 13.58 crore and 9 RRBs sponsored by the Bank had accumulated losses to the extent of Rs. 201.32 crore as on March 31, 2004. The average recovery of the RRBs stood at 63.35% and the average gross NPA of the RRBs sponsored by the Bank was 19.58%.

29.4 Bank of India
The Bank sponsored 16 RRBs, 3 in the State of Uttar Pradesh, 1 in Orissa, 4 in Madhya Pradesh, 4 in Maharashtra and 4 in the State of Jharkand. As on March 31, 2004, 15 RRBs sponsored by the Bank, recorded profits and their profits put together stood at Rs. 54.64 crore. 1 RRB in Jharkand had losses to the tune of Rs. 1.78 crore and 11 RRBs had accumulated losses to the extent of Rs. 177.40 crore as on March 31, 2004. The average recovery of the RRBs stood at 68.56% and the average gross NPA of the RRBs sponsored by the Bank was 12.15%.

29.5 Bank of Maharashtra
The Bank sponsored 3 RRBs, all in Maharashtra. As on March 31, 2004, all RRBs sponsored by the Bank, recorded profits and their profits put together stood at Rs. 7.98 crore. 1 RRB had accumulated losses to the extent of Rs.61.21 crore as on March 31, 2004. The average recovery of the RRBs stood at 60.56% and the average gross NPA of the RRBs sponsored by the Bank was 30.48%.

29.6 Bank of Rajasthan
The Bank sponsored 1 RRB in the State of Rajasthan. As on March 31, 2004, the RRB sponsored by the Bank, recorded profits at Rs. 0.06 crore. The RRB sponsored by the Bank had accumulated losses to the extent of Rs. 13.73 crore as on March 31, 2004. The average recovery of the RRB stood at 70.60% and the average gross NPA of the RRB sponsored by the Bank was 15.84%.

29.7 Central Bank of India
The Bank sponsored 23 RRBs, 2 in the State of Uttar Pradesh, 8 in Bihar, 7 in Madhya Pradesh, 3 in Maharashtra and 1 each in Rajasthan, Chhattsgarh and West Bengal. As on

March 31, 2004, 13 RRBs sponsored by the Bank, recorded profits and their profits put together stood at Rs. 33.23 crore. 10 RRBs sponsored by the Bank had losses to the tune of Rs. 89.24 crore and 16 RRBs had accumulated losses to the extent of Rs. 683.71 crore as on March 31, 2004. The average recovery of the RRBs stood at 69.26% and the average gross NPA of the RRBs sponsored by the Bank was 15.90%.

29.8 Canara Bank
The Bank sponsored 8 RRBs, 3 in the State of Uttar Pradesh, 4 in Karnataka and 1 in the State of Kerala. As on March 31, 2004, all RRBs sponsored by the Bank, recorded profits and their profits put together stood at Rs. 87.97 crore. None of the RRBs sponsored by the Bank had accumulated losses as on March 31, 2004. The average recovery of the RRBs stood at 84.14% and the average gross NPA of the RRBs sponsored by the Bank was 8.60%.

29.9 Corporation Bank
The Bank sponsored 1 RRB in the State of Karnataka. As on March 31, 2004, the RRB sponsored by the Bank, recorded profits at Rs. 1.32 crore. The RRB did not have accumulated loss as on March 31, 2004. The average recovery of the RRB stood at 55.18% and the average gross NPA of the RRB sponsored by the Bank was 22.19%.

29.10 Dena Bank
The Bank sponsored 4 RRBs, 3 in the State of Gujarat and 1 in Chhattisgarh. As on March 31, 2004, all RRBs sponsored by the Bank, recorded profits and their profits put together stood at Rs. 16.81 crore. 2 RRBs sponsored by the Bank had accumulated losses to the extent of Rs. 27.23 crore as on March 31, 2004. The average recovery of the RRBs stood at 71.66% and the average gross NPA of the RRBs sponsored by the Bank was 15.99%.

29.11 Indian Overseas Bank
The Bank sponsored 3 RRBs, 2 in the State of Orissa and 1 in Tamil Nadu. As on March 31, 2004, all RRBs sponsored by the Bank, recorded profits and their profits put together stood at Rs.8.55 crore. One of the RRBs sponsored by the Bank in Orissa had accumulated losses at Rs. 57.08 crore as on March 31, 2004. The average recovery of the RRBs stood at 84.77% and the average gross NPA of the RRBs sponsored by the Bank was 6.23%.

29.12 Indian Bank
The Bank sponsored 4 RRBs, 2 in the State of Andhra Pradesh and 2 in Tamil Nadu. As on March 31, 2004, all RRBs sponsored by the Bank, recorded profits and their profits put together stood at Rs.10.99 crore. None of the RRBs sponsored by the Bank had accumulated losses as on March 31, 2004. The average recovery of the RRBs stood at 84.99% and the average gross NPA of the RRBs sponsored by the Bank was 4.77%.

29.13 Jammu & kashmir Bank ltd.
The Bank sponsored 2 RRBs in the State of Jammu & kashmir. As on March 31, 2004, 1 RRB sponsored by the Bank, recorded profits at Rs.11.98 crore. 1 RRB recorded loss to the tune of Rs. 0.99 crore and had accumulated losses to the extent of Rs. 4.71 crore as on March 31, 2004. The average recovery of the RRBs stood at 62.36% and the average gross NPA of the RRBs sponsored by the Bank was 11.52%.

29.14 Punjab & Sindh Bank
The Bank sponsored 1 RRB in the State of Punjab. As on March 31, 2004, the RRB sponsored by the Bank, recorded profits at Rs. 3.11 crore. The RRB did not have accumulated loss as on March 31, 2004. The average recovery of the RRB stood at 90.34% and the average gross NPA of the RRB sponsored by the Bank was10.88%.

29.15 Punjab National Bank

The Bank sponsored 19 RRBs, 6 in the State of Uttar Pradesh, 3 in Punjab, 2 in Rajasthan, 4 in Bihar, 1 in Himachal Pradesh and 3 in the State of Haryana. As on March 31, 2004, all RRBs sponsored by the Bank, recorded profits and their profits put together stood at Rs. 149.19 crore. 4 of the RRBs sponsored by the Bank had accumulated losses to the tune of Rs. 87.05 crore as on March 31, 2004. The average recovery of the RRBs stood at 81.55% and the average gross NPA of the RRBs sponsored by the Bank was 8.65%.

29.16 State Bank of Bikaner & Jaipur

The Bank sponsored 3 RRBs in the State of Rajasthan. As on March 31, 2004, 2 RRBs sponsored by the Bank, recorded profits and their profits put together stood at Rs.8.71 crore. One of the RRBs had loss to the extent of Rs. 0.60 crore and 2 RRBs had accumulated losses at Rs. 11.79 crore as on March 31, 2004. The average recovery of the RRBs stood at 84.37% and the average gross NPA of the RRBs sponsored by the Bank was 5.38%.

29.17 State Bank of Hyderabad

The Bank sponsored 4 RRBs in the State of Andhra Pradesh. As on March 31, 2004, all RRBs sponsored by the Bank, recorded profits and their profits put together stood at Rs.13.21 crore. None of the RRBs sponsored by the Bank had accumulated losses as on March 31, 2004. The average recovery of the RRBs stood at 70.07% and the average gross NPA of the RRBs sponsored by the Bank was 8.52%.

29.18 State Bank of India

The Bank sponsored 30 RRBs, 5 in the State of Andhra Pradesh 3 each in Uttaranchal, Chhattisgrah, Orissa and Madhya Pradesh, 2 each in Uttar Pradesh and Jharkand, 1 each in Jammu & Kashmir, Himachal Pradesh, Bihar, Arunachal, Meghalaya, Karnataka, Assam, Mizoram and Nagaland. As on March 31, 2004, 18 RRBs sponsored by the Bank, recorded profits and their profits put together stood at Rs. 68.12 crore. 12 RRBs sponsored by the Bank had losses to the tune of Rs. 49.67 crore and 21 RRBs had accumulated losses to the extent of Rs. 591.32 crore as on March 31, 2004. The average recovery of the RRBs stood at 68.78% and the average gross NPA of the RRBs sponsored by the Bank was 17.17%.

29.19 State Bank of Indore

The Bank sponsored 1 RRB in the State of Madhya pradesh. As on March 31, 2004, the RRB sponsored by the Bank, recorded profits at Rs. 3.90 crore. The RRB did not have accumulated loss as on March 31, 2004. The average recovery of the RRB stood at 75.01% and the average gross NPA of the RRB sponsored by the Bank was 7.87%.

29.20 State Bank of Mysore

The Bank sponsored 2 RRBs in the State of Karnataka. As on March 31, 2004, both RRBs recorded profits at Rs.4.87 crore. None of the RRBs had accumulated losses as on March 31, 2004. The average recovery of the RRBs stood at 77.35 % and the average gross NPA of the RRBs sponsored by the Bank was 11.66%.

29.21 State Bank of Patiala

The Bank sponsored 1 RRB in the State of Punjab. As on March 31, 2004, the RRB sponsored by the Bank, recorded profits at Rs.5.33 crore. The RRB did not have accumulated loss as on March 31, 2004. The average recovery of the RRB stood at 94.38% and the average gross NPA of the RRB sponsored by the Bank was 2.54%.

29.22 State Bank of saurashtra

The Bank sponsored 3 RRBs in the State of Gujarat. As on March 31, 2004, all RRBs sponsored by the Bank, recorded profits and their profits put together stood at Rs.11.12 crore. None of the RRBs had accumulated losses as on March 31, 2004. The average recovery of the RRBs stood at 85.71% and the average gross NPA of the RRBs sponsored by the Bank was 4.18%.

29.23 Syndicate Bank

The Bank sponsored 10 RRBs, 4 in the State of Karnataka, 3 in Andhra Pradesh, and 1 each in Haryana, Uttar Pradesh and Kerala. As on March 31, 2004, all RRBs sponsored by the Bank, recorded profits and their profits put together stood at Rs.225.47 crore. None of the RRBs had accumulated losses as on March 31, 2004. The average recovery of the RRBs stood at 74.60% and the average gross NPA of the RRBs sponsored by the Bank was 7.02%.

29.24 United Bank of India

The Bank sponsored 11 RRBs, 5 in the State of West Bengal , 4 in Assam and 1 each in Manipur and Tripura. As on March 31, 2004, 10 RRBs sponsored by the Bank, recorded profits and their profits put together stood at Rs.32.14 crore. 1 of the RRBs had losses to the tune of Rs. 1.44 crore and all 11 RRBs had accumulated losses to the extent of Rs. 387.11 crore as on March 31, 2004. The average recovery of the RRBs stood at 61.55% and the average gross NPA of the RRBs sponsored by the Bank was 17.69%.

29.25 UCO bank

The Bank sponsored 11 RRBs, 3 each in the States of West Bengal and Bihar, 2 each in Orissa and Rajasthan and 1 in Madhya Pradesh. As on March 31, 2004, 7 RRBs sponsored by the Bank, recorded profits and their profits put together stood at Rs.9.81 crore. 4 of the RRBs had losses to the tune of Rs. 24.82 crore and 7 RRBs had accumulated losses to the extent of Rs. 370.90 crore as on March 31, 2004. The average recovery of the RRBs stood at 67.17% and the average gross NPA of the RRBs sponsored by the Bank was 13.63%.

29.26 U.P. State Cooperative Bank ltd.

The Bank sponsored 1 RRB in the State of Uttar Pradesh. As on March 31, 2004, the RRB sponsored by the Bank, recorded losses to the extent of Rs.1.48 crore. The RRB had accumulated losses to the tune of Rs. 35.77 crore as on March 31, 2004. The average recovery of the RRB stood at 67.17% and the average gross NPA of the RRB sponsored by the Bank was 25.74%.

29.27 Union Bank of India

The Bank sponsored 4 RRBs, 3 in the State of Uttar Pradeh and 1 in Madhya Pradesh. As on March 31, 2004, all RRBs sponsored by the Bank, recorded profits and their profits put together stood at Rs.41.10 crore. One of the RRBs in Uttar Pradesh had accumulated losses to the extent of Rs. 7.37 crore as on March 31, 2004. The average recovery of the RRBs stood at 65.18 % and the average gross NPA of the RRBs sponsored by the Bank was 17.86%.

29.28 Vijaya Bank

The Bank sponsored 1 RRB in the State of Karnataka. As on March 31, 2004, the RRB sponsored by the Bank, recorded profits at Rs.2.23 crore. The RRB did not have accumulated loss as on March 31, 2004. The average recovery of the RRB stood at 81.14% and the average gross NPA of the RRB sponsored by the Bank was 5.07%.

30. The Sponsor Bank wise viability position of RRBs as on March 31, 2004 is given under:

(Amount in Rs. lakhs)

Sr No	State	No of RRBs	Profit Earning				Loss Making	
			Without Accumulated Losses		With Accumulated Losses			
			No	Amount	No	Amount	No	Amount
1	ALLAHABAD	7	5	5121.50	2	403.42		
2	ANDHRA	3	3	1538.92	0	0.00		
3	B.O.B	19	10	4936.46	7	2038.11	2	1358.7
4	B.O.I	16	5	3706.61	10	1757.73	1	178.55
5	B.O.M	3	2	469.29	1	329.30		
6	B.O.RAJ.	1	0	0.00	1	6.26		
7	C.B.I	23	7	1759.68	6	1563.64	10	8924.02
8	CANARA	8	8	8797.11	0	0.00		
9	CORPN	1	1	132.76	0	0.00		
10	DENA	4	2	892.93	2	788.91		
11	I.O.B	3	2	807.25	1	48.39		
12	INDIAN	4	4	1099.00	0	0.00		
13	J&K BANK	2	1	1198.63	0	0.00	1	99.93
14	P&S BK	1	1	311.37	0	0.00		
15	P.N.B	19	15	13217.72	4	1701.34		
16	S.B.B.J	3	1	711.26	1	160.08	1	60.87
17	S.B.H	4	4	1321.38	0	0.00		
18	S.B.I	30	10	4252.62	8	2560.11	12	4967.38
19	S.B.IND	1	1	390.07	0	0.00		
20	S.B.M	2	2	487.68	0	0.00		
21	S.B.P	1	1	533.56	0	0.00		
22	S.B.S	3	3	1112.92	0	0.00		
23	SYNDICATE	10	10	22547.25	0	0.00		
24	U.B.I	11	0	0.00	10	3214.17	1	144.26
25	U.C.O	11	4	778.34	3	203.22	4	2482.11
26	U.P.S.C.B	1	0	0.00	0	0.00	1	148.84
27	UNION	4	3	3155.61	1	954.99		
28	VIJAYA	1	1	223.30	0	0.00		
	Grand Total	**196**	**106**	**79503.22**	**57**	**15729.67**	**33**	**18364.66**

31. Restructuring of RRBs- Recapitalisation support

31.1 As a part of comprehensive restructuring programme, recapitalisation of RRBs was initiated in the year 1994-95. The process continued till 1999-2000 and covered 187 RRBs with aggregate financial support of Rs.2188.44 crore from the shareholders (GoI/Sponsor Banks/State Governments). While Government of India and Sponsor Banks have fully released their share (50% and 35%) of recapitalisation amounting to Rs.1860.16 crore to all the selected RRBs, 3 State Governments had not released Rs.24.90 crore, their proportionate share in respect of 9 RRBs as at end of February 2005. The details are as under:

Sl.No	State	No. of RRBs	Amount to be released (Rs. in crore)
1	Assam	5	14.37
2	Jammu&	3	4.53
3	Orissa	1	6.00
	Total	9	24.90

Of the total 187 RRBs recapitalised earlier, 99 RRBs has turned around as on March 2004. These 99 RRBs were not having accumulated losses, had positive net worth and profits during the last two years. The State wise and sponsor bank wise details of RRBs in this regard is furnished in Annexure E & F respectively.

Of the total 163 banks that earned profit of Rs.952.33 crore in 2003-04, 158 had been recapitalised earlier. The profits earned by these 158 banks as on March 31, 2004 amounted to Rs. 927.70 crore.

Out of the 33 RRBs that had recorded losses to the tune of Rs.183.65 crore during 2003-04, 29 RRBs were recapitalised earlier. The loss recorded by these 29 banks were to the tune of Rs. 149.36 crore as on March 31, 2004.

Of the ninety RRBs that were having accumulated losses to the tune of Rs.2725.35 crore as on March 31,2004, 83 had availed recapitalisation benefits earlier. The accumulated loss of these 83 RRBs were to the extent of Rs. 2309.86 crore as on March 31, 2004.

As on March 31, 2004, the gross NPA in absolute terms was Rs.3298.66 crore, of which Rs. 3146.05 crore (95.37 %) pertained to the 187 RRBs recapitalised earlier.

Annexure-A

State Summary of Key Indicators of RRBs as on 31.03.2004 [Rs in Lakh]

Name of the State	District	Branches	Staff	Owned Fund	Deposits	Borrowings	Investments	Gross Loans	Loans Issued
ANDHRA PRADESH	23	1170	5717	56312.50	480960.96	76343.08	272491.93	345203.11	279179.67
ARUNACHAL PRADESH	6	17	62	310.76	5580.64	894.39	2714.73	3253.89	499.77
ASSAM	24	398	1964	9001.78	159461.67	13713.85	105326.22	61264.86	24958.47
BIHAR	38	1486	6278	34856.18	505913.31	19229.04	336282.58	140913.24	52539.64
CHHATTISGARH	17	436	1804	9306.29	143113.05	2403.67	96228.24	39404.93	21209.05
GUJARAT	23	376	1613	16257.30	147233.56	8920.82	103321.00	66388.77	39176.94
HARYANA	18	295	1579	22391.80	148132.32	9402.60	88611.43	82306.97	56055.27
HIMACHAL PRADESH	7	133	581	4700.77	68495.17	1659.68	52186.19	17522.05	9756.91
JAMMU & KASHMIR	13	266	1214	8638.70	96938.09	1232.56	77082.65	20157.33	9737.85
JHARKHAND	21	390	1606	8687.26	143192.85	3547.20	107808.41	37835.81	14663.34
KARNATAKA	29	1113	5715	52708.91	348704.74	53110.60	163299.29	290028.47	171248.87
KERALA	10	353	2546	21166.58	152483.30	27158.63	50342.48	145606.63	124427.47
MADHYA PRADESH	47	1053	4452	24442.66	382469.06	20269.85	232981.82	160123.84	84168.59
MAHARASHTRA	20	593	2431	12396.39	166185.57	9917.66	99476.55	74999.34	35991.94
MANIPUR	9	29	96	1002.21	3112.50	319.22	1391.95	1648.80	547.38
MEGHALAYA	4	51	184	2561.86	17581.27	576.96	15457.11	4625.22	1901.11
MIZORAM	8	54	175	903.82	12454.62	2018.42	9470.40	5026.24	2820.11
NAGALAND	5	8	27	311.76	1256.54	46.64	821.74	523.17	165.91
ORISSA	30	831	4197	19771.59	294418.42	43420.94	139206.59	173231.27	96612.47
PUNJAB	16	203	746	18103.64	92920.09	5835.06	67420.81	42734.82	35342.23
RAJASTHAN	34	1010	4333	24336.06	352874.54	26850.32	210236.51	158795.66	76601.76
TAMILNADU	10	209	1068	7363.40	78808.87	10610.97	32064.87	66974.93	77063.35
TRIPURA	4	87	702	4241.42	72931.98	1868.22	40761.28	21370.38	8048.92
UTTAR PRADESH	69	2844	14348	162117.64	1308745.31	89968.89	1019344.17	476097.72	251030.81
UTTARANCHAL	13	168	622	5323.47	57362.10	983.60	42051.80	18768.52	9207.46
WEST BENGAL	20	873	5189	16572.73	393677.70	29245.14	247160.14	156579.89	74949.40
Grand Total	**518**	**14446**	**69249**	**543787.48**	**5635008.23**	**459548.01**	**3613540.89**	**2611385.86**	**1557904.69**

State Summary of Key Indicators of RRBs as on 31.03.2004 [Rs in Lakh]

Name of the State	CD Ratio	Branch Productivity	Staff Productivity	Accumulated Losses	Current Profit	Current Loss	Overdues	Recovery %	NPAs	NPA %	Cummulative Provision
ANDHRA PRADESH	71.77	706.12	144.51	2918.25	12153.0	-336.44	49908.83	70.96	27927.81	8.09	8405.76
ARUNACHAL PRADESH	58.31	519.68	142.49	2452.59	0.00	-217.83	1981.66	22.61	2421.21	74.4	1549.33
ASSAM	38.42	554.59	112.39	8958.84	1473.37	0.00	9025.78	58.41	8617.24	14.07	4253.70
BIHAR	27.85	435.28	103.03	61198.05	4852.10	-8563.90	15836.21	60.92	26578.66	18.8	8414.34
CHHATTISGARH	27.53	418.62	101.17	13242.83	1773.14	0.00	4979.46	69.02	5845.56	14.8	2490.04
GUJARAT	45.09	568.14	132.44	2199.88	2836.50	0.00	8279.31	76.53	8320.43	12.53	3107.71
HARYANA	55.56	781.15	145.94	405.06	5736.94	0.00	7746.83	84.73	4432.70	5.39	1534.33
HIMACHAL PRADESH	25.58	646.75	148.05	0.00	916.14	0.00	1070.78	80.79	1299.19	7.41	746.09
JAMMU & KASHMIR	20.79	440.21	96.45	8197.60	1198.63	-1084.51	1881.78	63.85	2232.40	11.07	883.39
JHARKHAND	26.42	464.18	112.72	13190.41	601.72	-1161.06	6522.86	44.94	9232.08	24.40	3374.63
KARNATAKA	83.17	573.88	111.76	0.00	10447.36	0.00	55073.66	75.41	28449.14	9.81	10238.92
KERALA	95.49	844.45	117.08	0.00	3833.12	0.00	20897.21	84.99	10953.51	7.52	2724.86
MADHYA PRADESH	41.87	515.28	121.88	23213.20	3585.68	-1819.35	18923.98	72.49	21570.35	13.47	7316.94
MAHARASHTRA	45.13	406.72	99.21	12359.91	1636.18	-170.45	18434.51	64.22	15761.69	21.02	5620.18
MANIPUR	52.97	164.18	49.60	1567.73	0.00	-144.26	440.09	51.80	631.74	38.32	340.44
MEGHALAYA	26.31	435.42	120.69	0.00	221.32	0.00	1351.24	54.30	1362.79	29.46	910.63
MIZORAM	40.36	323.72	99.89	519.36	38.73	0.00	698.22	61.23	1207.50	24.02	447.86
NAGALAND	41.64	222.46	65.92	199.03	0.00	-41.03	72.30	61.17	127.75	24.42	53.02
ORISSA	58.84	562.76	111.42	48564.37	1613.61	-2811.60	21240.11	67.38	24206.25	13.97	8019.11
PUNJAB	45.99	668.25	181.84	0.00	3973.01	0.00	2614.74	91.66	2040.36	4.77	1141.99
RAJASTHAN	45.00	506.60	118.09	17969.45	4696.99	-704.69	11493.74	80.05	13313.66	8.38	3921.27
TAMILNADU	84.98	697.53	136.50	0.00	964.62	0.00	4220.17	89.28	2819.22	4.21	1265.39
TRIPURA	29.30	1083.94	134.33	13500.50	642.58	0.00	6850.92	44.56	5885.33	27.54	4480.74
UTTAR PRADESH	36.38	627.58	124.40	13537.58	29526.61	-148.84	67255.68	70.04	79583.77	16.72	27722.99
UTTARANCHAL	32.72	453.16	122.40	295.43	744.51	-98.12	1516.92	79.30	2226.04	11.86	508.40
WEST BENGAL	39.77	630.31	106.04	28044.80	1767.00	-1062.58	24213.27	69.33	22819.82	14.57	7045.78
Grand Total	46.34	570.84	119.08	272534.87	95232.89	-18364.66	362530.26	73.49	329866.20	12.63	116517.84

State Summary of Key Indicators of RRBs as on 31.03.2004

[Rs in Lakh

Name of the State	Total Assets	Average Working Fund	Financial Return	Financial Cost	Financial Margin	Transaction Cost - Salary	Transaction Cost - Other Operating Expenses	Mis Income	Gross Margin	Risk Cost	Net Margin
ANDHRA PRADESH	666473.81	585654.47	10.14	5.83	4.31	2.22	0.67	0.92	2.34	0.29	2.05
ARUNACHAL PRADESH	7212.93	4126.73	7.00	8.73	-1.73	3.35	0.63	0.40	-5.31	-0.12	-5.19
ASSAM	193687.99	166471.27	8.43	5.11	3.32	2.48	0.39	1.08	1.52	0.63	0.89
BIHAR	598044.89	537372.26	7.27	5.06	2.21	2.80	0.23	1.10	0.28	0.93	-0.65
CHHATTISGARH	169053.56	153241.29	8.24	4.72	3.51	2.54	0.41	1.01	1.57	0.37	1.20
GUJARAT	184093.31	172186.78	9.37	5.80	3.57	2.04	0.42	0.71	1.82	0.14	1.68
HARYANA	183324.15	163132.75	8.92	4.67	4.25	2.07	0.33	1.88	3.73	0.18	3.55
HIMACHAL PRADESH	76438.23	71678.89	8.92	6.07	2.84	1.63	0.51	0.62	1.33	0.00	1.33
JAMMU & KASHMIR	114580.85	104268.00	8.25	5.40	2.85	2.60	0.31	0.67	0.60	0.45	0.15
JHARKHAND	169140.16	158294.37	6.95	5.03	1.92	2.27	0.24	0.81	0.22	0.55	-0.33
KARNATAKA	480761.22	447773.85	10.37	5.56	4.80	2.71	0.63	1.58	3.03	0.68	2.36
KERALA	207250.22	185457.05	9.67	5.21	4.46	2.94	0.68	1.61	2.45	0.34	2.12
MADHYA PRADESH	450082.29	395247.35	9.03	5.57	3.46	2.58	0.60	0.84	1.12	0.63	0.48
MAHARASHTRA	198548.90	169057.51	8.56	5.27	3.29	3.17	0.53	2.08	1.66	0.76	0.90
MANIPUR	4537.68	2769.79	8.93	5.79	3.13	7.91	0.88	0.50	-5.15	0.00	-5.15
MEGHALAYA	21685.51	20131.26	8.28	4.06	4.22	1.84	0.88	0.11	1.61	0.43	1.18
MIZORAM	16269.18	13289.64	8.45	4.74	3.71	2.56	0.47	0.67	1.34	0.92	0.42
NAGALAND	1716.48	1485.07	13.85	11.97	1.88	3.78	0.66	0.32	-2.25	0.00	-2.25
ORISSA	394817.40	332518.24	8.32	6.39	1.93	2.57	0.33	1.04	0.06	0.38	-0.32
PUNJAB	119541.00	105385.83	9.35	4.45	4.90	1.56	0.54	1.42	4.22	0.43	3.80
RAJASTHAN	425438.63	362156.33	9.33	6.01	3.32	2.57	0.47	1.25	1.54	0.41	1.13
TAMILNADU	104733.60	98896.03	9.51	5.41	4.11	2.34	0.45	1.11	2.42	1.40	1.02
TRIPURA	80277.37	78085.53	5.83	4.56	1.27	1.78	0.32	1.69	0.85	0.00	0.85
UTTAR PRADESH	1620343.17	1446436.37	8.70	4.77	3.93	2.10	0.50	1.02	2.35	0.28	2.07
UTTARANCHAL	67867.78	62046.61	7.75	5.29	2.47	2.05	0.71	1.52	1.23	0.15	1.08
WEST BENGAL	472656.15	437532.04	8.70	6.13	2.57	2.57	0.39	1.05	0.67	0.46	0.21
Grand Total	**7028576.46**	**6274695.31**	**8.83**	**5.36**	**3.47**	**2.40**	**0.48**	**1.13**	**1.72**	**0.45**	**1.26**

Annexure-B

State Summary of Key Indicators of RRBs as on 31.03.2004

[Rs in Lakh]

Name of the Bank	District	Branches	Staff	Owned Fund	Deposits	Borrowings	Investments	Gross Loans	Loans Issued

ALLAHABAD	11	504	2265	29950.44	191645.52	17442.74	150225.34	81057.69	33235.29
ANDHRA	5	157	692	6621.75	62884.22	8967.01	37894.33	39475.99	27207.34
B.O.B	39	1189	5531	37209.74	482837.65	26023.94	328907.27	175757.71	79958.09
B.O.I	38	980	4334	32352.19	363516.03	22153.60	235486.91	147585.15	78229.30
B.O.M	9	322	1355	5064.60	95233.70	4541.87	63242.31	34734.95	17335.05
B.O.RAJASTAN	2	58	231	1368.53	18954.91	1118.09	14630.57	6128.34	2017.70
C.B.I	53	1703	7189	29051.61	576219.54	30813.21	338189.20	207378.97	94535.89
CANARA	19	727	4496	45245.54	300066.99	43592.71	143127.32	238061.12	170041.99
CORPN. BANK	2	50	184	1412.41	10100.46	2028.83	5766.77	7762.95	3475.57
DENA	10	227	1012	9423.38	92724.44	2794.76	77218.15	27721.23	13589.91
I.O.B	11	325	1710	7774.23	134831.79	23404.48	51997.75	108305.74	95376.67
INDIAN	6	151	719	7905.21	59111.80	8233.84	27917.68	46580.66	39814.29
J&K BANK	6	168	822	7263.70	78737.61	1203.53	67943.62	17025.09	8421.96
P&S BK	5	22	72	1740.90	6923.44	495.51	3447.23	4865.62	5284.81
P.N.B	55	1277	5750	56822.31	544782.78	24658.95	376258.05	206942.58	112033.18
S.B.B.J	6	205	827	4017.33	75020.06	5746.15	46243.74	32427.59	18055.22
S.B.H	4	165	696	7585.60	79946.81	6636.62	56146.19	43538.41	39287.91
S.B.I	104	2336	10633	78545.13	781114.62	73975.91	540144.58	354226.21	217588.82
S.B.IND	2	23	81	1611.71	11872.85	1351.12	7899.43	6857.51	2608.85
S.B.M	6	202	902	3475.23	52139.39	2710.18	26195.81	33852.38	24060.39
S.B.P	3	41	121	3167.11	14050.27	2943.23	11224.97	8853.21	11066.28
S.B.S	7	135	494	5096.04	43164.89	4619.75	25781.88	26006.55	20891.98
SYNDICATE	27	1160	6893	95750.12	511839.58	77385.42	284431.02	383516.22	272197.03
U.B.I	47	1016	5777	23881.13	462923.16	30860.59	286624.18	169987.79	69006.42
U.C.O	28	799	4031	18089.03	313204.29	27330.12	197314.72	127282.82	68302.73
U.P.S.C.B	2	63	275	1100.00	16856.79	2053.30	6953.23	9826.17	5243.56
UNION	10	416	2056	21250.22	247690.87	5606.78	199274.63	60195.60	25276.51
VIJAYA	1	25	101	1012.29	6613.77	855.77	3054.01	5431.61	3761.95
Grand Total	**518**	**14446**	**69249**	**543787.48**	**5635008.23**	**459548.01**	**3613540.89**	**2611385.86**	**1557904.69**

State Summary of Key Indicators of RRBs as on 31.03.2004 [Rs in Lakh]

Name of the Bank	CD Ratio	Branch Productivity	Staff Productivity	Accumulated Losses	Current Profit	Current Loss	Overdues	Recovery %	NPAs	NPA %	Cumulative Provision
ALLAHABAD	42.30	541.08	120.40	757.63	5524.92	0.00	13990.72	65.29	13588.17	16.76	4788.44
ANDHRA	62.78	651.98	147.92	0.00	1538.92	0.00	6215.18	69.28	3418.92	8.66	1438.21

B.O.B	36.40	553.91	119.07	20132.11	6974.57	-1358.70	28995.23	63.35	34412.16	19.58	11900.92
B.O.I	40.60	521.53	117.93	17740.32	5464.34	-178.55	17538.98	68.56	17925.24	12.15	6604.32
B.O.M	36.47	403.63	95.92	6121.68	798.59	0.00	11836.83	60.56	10586.62	30.48	3644.52
B.O.RAJASTAN	32.33	432.47	108.59	1373.76	6.26	0.00	574.83	70.60	970.96	15.84	206.96
C.B.I	35.99	460.13	109.00	68371.11	3323.32	-8924.02	22999.48	69.26	32972.01	15.90	9878.40
CANARA	79.34	740.20	119.69	0.00	8797.11	0.00	32074.54	84.14	20479.35	8.60	7003.00
CORPN BANK	76.86	357.27	97.08	0.00	132.76	0.00	1832.76	55.18	1722.26	22.19	82.26
DENA	29.90	530.60	119.02	2723.95	1681.84	0.00	4304.37	71.66	4433.54	15.99	2264.12
I.O.B	80.33	748.12	142.19	5708.72	855.64	0.00	8910.85	84.77	6744.47	6.23	2846.35
INDIAN	78.80	699.95	147.00	0.00	1099.00	0.00	3481.26	84.99	2223.23	4.77	989.52
J&K BANK	21.62	570.02	116.50	471.10	1198.63	-99.93	1771.25	62.36	1962.13	11.52	837.47
P&S BK	70.28	535.87	163.74	0.00	311.37	0.00	486.59	90.34	529.41	10.88	0.00
P.N.B	37.99	588.67	130.73	8705.71	14919.06	0.00	18090.04	81.55	17892.36	8.65	7537.87
S.B.B.J	43.23	524.13	129.92	1179.19	871.34	-60.87	2280.04	84.37	1745.27	5.38	331.33
S.B.H	54.46	748.40	177.42	0.00	1321.38	0.00	5966.27	70.07	3709.99	8.52	1047.29
S.B.I	45.35	486.02	106.78	59132.86	6812.73	-4967.38	60444.14	68.78	60835.21	17.17	18158.95
S.B.INDORE	57.76	814.36	231.24	0.00	390.07	0.00	771.16	75.01	539.73	7.87	321.58
S.B.M	64.93	425.70	95.33	0.00	487.68	0.00	4769.55	77.35	3947.49	11.66	1425.17
S.B.P	63.01	558.62	189.28	0.00	533.56	0.00	472.89	94.38	225.22	2.54	277.08
S.B.S	60.25	512.38	140.02	0.00	1112.92	0.00	1922.60	85.71	1088.13	4.18	323.08
SYNDICATE	74.93	771.86	129.89	0.00	22547.25	0.00	56942.46	74.60	26934.98	7.02	9795.52
U.B.I	36.72	622.94	109.56	38711.09	3214.17	-144.26	32454.04	61.55	30071.09	17.69	13634.73
U.C.O	40.64	551.30	109.27	37090.24	981.56	-2482.11	15241.63	67.17	17351.11	13.63	5640.29
U.P.S.C.B	58.29	423.54	97.03	3577.69	0.00	-148.84	1791.79	67.17	2529.40	25.74	715.89
UNION	24.30	740.11	149.75	737.71	4110.60	0.00	5896.87	65.18	10752.40	17.86	4720.22
VIJAYA	82.13	481.82	119.26	0.00	223.30	0.00	473.91	81.14	275.35	5.07	104.35
Grand Total	46.34	570.84	119.08	272534.87	95232.89	-18364.66	362530.26	73.49	329866.20	12.63	116517.84

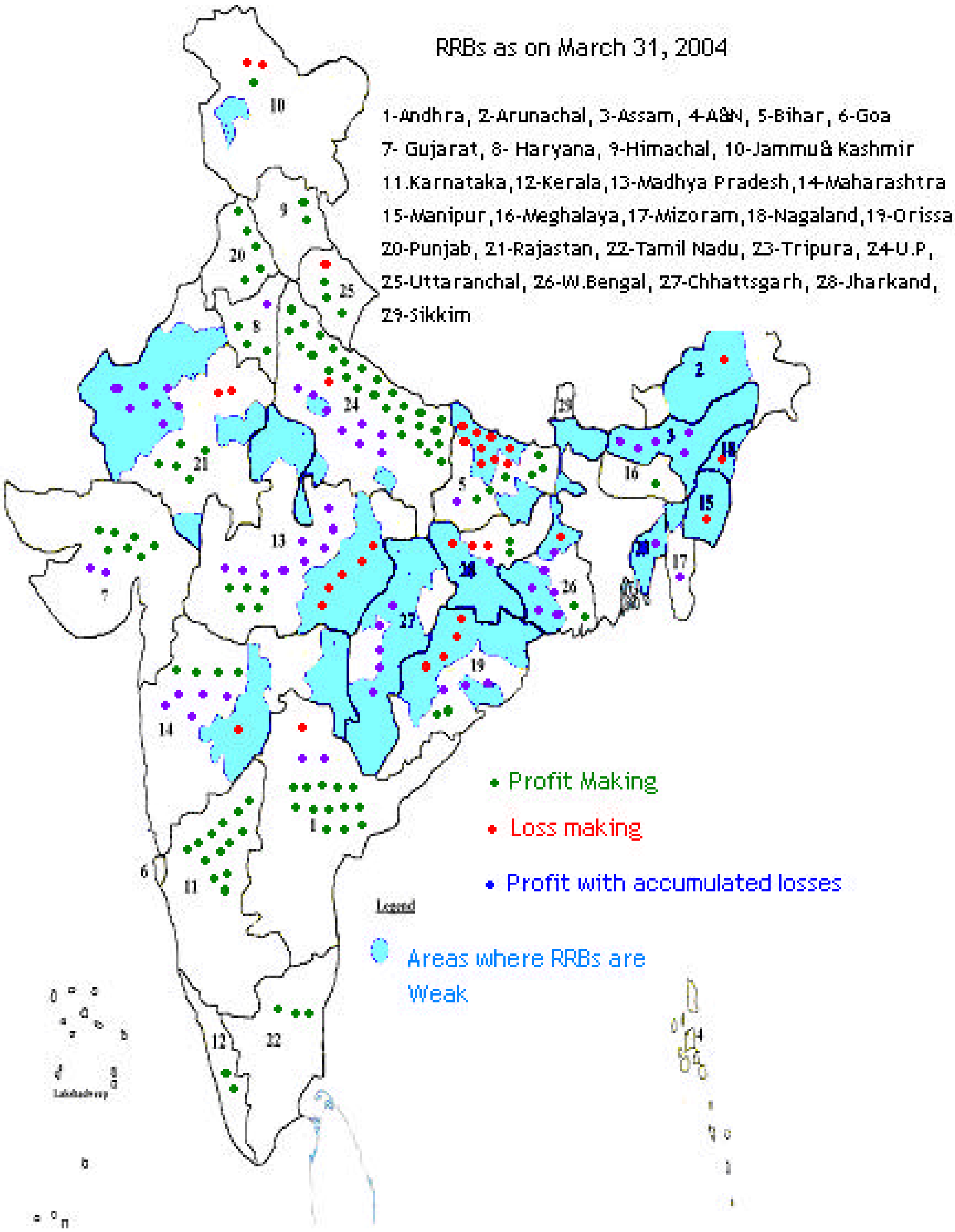
State Summary of Key Indicators of RRBs as on 31.03.2004 [Rs in Lakh]

Name of the Bank	Total Assets	Average Working Fund	Financial Return	Financial Cost	Financial Margin	Transaction Cost - Salary	Transaction Cost Other Operating Expenses	Mis Income	Gross Margin	Risk Cost	Net Margin
ALLAHABAD	247323.86	212330.48	8.83	4.30	4.52	2.29	0.44	1.08	2.88	0.22	2.66
ANDHRA	83411.22	76659.28	9.31	6.09	3.22	2.05	0.39	1.74	2.52	0.48	2.04

B.O.B	566754.24	505929.00	8.61	5.14	3.47	2.36	0.38	0.85	1.58	0.43	1.15
B.O.I	433689.07	397295.86	8.72	5.45	3.27	2.21	0.33	0.98	1.71	0.35	1.35
B.O.M	110456.60	88558.50	8.32	5.36	2.96	3.35	0.53	2.71	1.80	0.86	0.94
B.O.RAJ.	23639.85	20864.00	9.07	6.41	2.66	2.52	0.44	0.77	0.47	0.38	0.09
C.B.I	679498.39	605214.18	8.22	5.29	2.93	3.01	0.38	0.84	0.37	1.26	-0.89
CANARA	403713.35	374451.24	9.55	5.10	4.45	2.52	0.49	1.59	3.03	0.66	2.37
CORPN	13762.89	13064.11	9.27	6.05	3.22	3.05	0.61	2.13	1.69	0.63	1.06
DENA	114504.73	107222.86	8.86	5.56	3.30	1.91	0.33	0.78	1.85	0.24	1.61
I.O.B	187175.77	156759.72	9.42	5.92	3.49	2.38	0.39	1.03	1.74	1.16	0.58
INDIAN	78985.98	70294.43	10.35	6.12	4.24	2.29	0.41	0.45	1.99	0.38	1.61
J&K BANK	92559.22	83612.00	8.93	5.44	3.48	2.25	0.31	0.79	1.71	0.36	1.35
P&S BK	9310.92	9565.02	9.83	4.60	5.23	1.65	0.76	0.61	3.44	0.14	3.29
P.N.B	643037.34	573940.28	8.37	4.96	3.41	2.08	0.55	2.10	2.88	0.25	2.63
S.B.B.J	92145.33	79330.96	10.53	6.87	3.66	2.24	0.30	0.52	1.63	0.59	1.04
S.B.H	110293.57	96937.93	9.97	6.62	3.35	1.58	1.05	0.77	1.49	0.10	1.40
S.B.I	1030155.32	918742.01	8.53	5.32	3.21	2.53	0.71	0.64	0.62	0.36	0.25
S.B.IND	16115.40	14314.81	9.78	5.57	4.22	1.03	0.52	1.52	4.20	1.43	2.76
S.B.M	64520.96	57565.77	9.87	6.40	3.47	3.30	0.59	2.07	1.65	0.79	0.87
S.B.P	21404.63	16686.13	8.92	4.23	4.68	1.64	0.32	0.64	3.37	0.13	3.24
S.B.S	56890.35	54668.17	9.87	6.10	3.77	2.04	0.42	1.01	2.32	0.26	2.07
SYNDICATE	708907.94	618092.00	10.05	4.97	5.08	2.36	0.51	1.77	3.99	0.31	3.68
U.B.I	541762.08	496113.72	8.13	5.53	2.60	2.51	0.40	1.18	0.88	0.23	0.64
U.C.O	390490.42	348363.50	8.02	6.15	1.87	2.46	0.41	0.79	-0.21	0.18	-0.39
U.P.S.C.B	21058.94	17164.09	9.01	6.03	2.99	3.32	0.22	0.18	-0.37	0.31	-0.68
UNION	278166.30	253240.65	8.89	5.23	3.66	1.72	0.28	0.18	1.85	0.19	1.66
VIJAYA	8841.79	7714.61	11.77	6.30	5.47	3.77	0.77	2.19	3.12	0.17	2.95
Grand Total	**7028576.46**	**6274695.31**	**8.83**	**5.36**	**3.47**	**2.40**	**0.48**	**1.13**	**1.72**	**0.45**	**1.26**

Annexure-C

Graphical representation of the health of RRBs as on March 31, 2004 in various States



(Source: NABARD)

Annexure-D

State wise position of RRBs recapitalised earlier

Sr No	State Name	No of RRBs	*Turned around	Not turned around
1	ANDHRA PRADESH	16	13	3
2	ARUNACHAL PRADESH	1		1
3	ASSAM	5		5
4	BIHAR	15	5	10
5	CHHATTISGARH	4		4
6	GUJARAT	9	7	2
7	HARYANA	4	3	1
8	HIMACHAL PRADESH	2	2	
9	JAMMU & KASHMIR	3	1	2
10	JHARKHAND	6	2	4
11	KARNATAKA	13	13	
12	KERALA	1	1	
13	MADHYA PRADESH	17	3	14
14	MAHARASHTRA	10	4	6
15	MANIPUR	1		1
16	MEGHALAYA	1	1	
17	MIZORAM	1		1
18	NAGALAND	1		1
19	ORISSA	8	2	6
20	PUNJAB	4	4	
21	RAJASTHAN	14	5	9
22	TAMILNADU	3	3	
23	TRIPURA	1		1
24	UTTAR PRADESH	35	26	9
25	UTTARANCHAL	4	3	1
26	WEST BENGAL	8	1	7
Grand Total		187	99	88

***Having no accumulated losses, having positive net worth and profits during the last two years (Position as on March 31, 2004).**

Annexure-E

Sponsor bank wise position of RRBs recapitalised earlier

Sr No	State	No of RRBs	*Turned around	Not turned around
1	ALLAHABAD	7	5	2
2	ANDHRA	3	3	
3	B.O.B	19	10	9
4	B.O.I	16	5	11
5	B.O.M	3	1	2
6	B.O.RAJ.	1		1
7	C.B.I	21	6	15
8	CANARA	8	8	
9	CORPN	1		1
10	DENA	4	2	2
11	I.O.B	3	2	1
12	INDIAN	4	4	
13	J&K BANK	2	1	1
14	P&S BK	1		1
15	P.N.B	18	15	3
16	S.B.B.J	3	1	2
17	S.B.H	4	4	
18	S.B.I	29	9	20
19	S.B.INDORE	1	1	
20	S.B.M	2	2	
21	S.B.P	-	-	-
22	S.B.S	3	3	
23	SYNDICATE	9	9	
24	U.B.I	10		10
25	U.C.O	9	4	5
26	U.P.S.C.B	1		1
27	UNION	4	3	1
28	VIJAYA	1	1	
	Grand Total		**99**	**88**

***Having no accumulated losses, having positive net worth and profits during the last two years (Position as on March 31, 2004).**

Annexure-F

Sponsor Bank wise details of RRBs

RRB No	Name of the RRB	State	Accumulated Losses	Current Profit	Current Loss	Recovery %	NPA %
1	2	3	16	17	18	20	22
1	BHAGIRATH GB	UTTAR PRADESH	0.00	2134.96		75.74	5.92
2	CHHATRASAL GB	UTTAR PRADESH	0.00	332.87		70.14	14.87
3	SARAYU GB	UTTAR PRADESH	0.00	924.17		72.46	4.77
4	SHARDA GB	MADHYA PRADESH	719.68	317.21		67.87	16.39
5	SRAVASTI GB	UTTAR PRADESH	0.00	1008.47		55.52	22.14
6	TULSI GB	UTTAR PRADESH	0.00	721.03		63.60	19.56
7	VINDHYAVASINI GB	UTTAR PRADESH	37.95	86.21		40.20	36.45
ALLAHABAD Bank Total			**757.63**	**5524.92**	**0.00**	**65.29**	**16.76**
8	CHAITANYA GB	ANDHRA PRADESH	0.00	342.89		72.74	7.15
9	GODAVARI GB	ANDHRA PRADESH	0.00	137.76		65.93	13.46
10	RUSHIKULYA GB	ORISSA	0.00	1058.27		65.53	8.06
ANDHRA Bank Total			**0.00**	**1538.92**	**0.00**	**69.28**	**8.66**
11	ALLAHABAD KGB	UTTAR PRADESH	2650.97	230.41		40.36	46.07
12	ARAVALI KGB	RAJASTHAN	3244.93	152.35		61.14	9.42
13	BAREILLY KGB	UTTAR PRADESH	0.00	641.73		70.92	9.11
14	BHILWARA-AJMER KGB	RAJASTHAN	0.00	462.41		73.69	7.90
15	BUNDI-CHITTORGARH KGB	RAJASTHAN	1331.59	189.24		75.70	9.96
16	DUNGARPUR-BANSWARA KGB	RAJASTHAN	1021.03	22.98		61.62	16.78
17	FAIZABAD KGB	UTTAR PRADESH	0.00	774.22		49.34	11.38
18	FATEHPUR KGB	UTTAR PRADESH	1080.07	352.39		64.56	15.93
19	JHABUA-DHAR KGB	MADHYA PRADESH	4403.90		-714.88	49.88	29.79
20	KANPUR KGB	UTTAR PRADESH	364.47	995.78		62.01	27.05
21	MARUDHAR KGB	RAJASTHAN	5584.62		-643.82	81.15	15.68
22	NAINITAL-ALMORA KGB	UTTARANCHAL	0.00	415.55		79.67	15.90
23	PANCHMAHAL GB	GUJARAT	450.53	94.96		64.29	20.36
24	PRATAPGARH KGB	UTTAR PRADESH	0.00	579.56		61.53	25.73
25	RAEBARELI KGB	UTTAR PRADESH	0.00	462.57		69.81	12.46
26	SHAHJAHANPUR KGB	UTTAR PRADESH	0.00	832.83		85.41	7.54

27	SULTANPUR KGB	UTTAR PRADESH	0.00	315.91		55.20	25.69
28	SURAT-BHARUCH GB	GUJARAT	0.00	39.52		47.74	41.55
29	VALSAD-DANGS GB	GUJARAT	0.00	412.16		60.35	13.62
B.O.B Total			**20132.11**	**6974.57**	**-1358.70**	**63.35**	**19.58**
30	AVADH GB	UTTAR PRADESH	0.00	1503.85		70.52	17.91
31	BAITARANI GB	ORISSA	3698.89	135.31		67.77	7.46
32	BARABANKI GB	UTTAR PRADESH	0.00	884.96		67.28	7.30
33	BHANDARA GB	MAHARASHTRA	1734.26	307.93		78.25	9.50
34	CHANDRAPUR-GADCHIROLI GB	MAHARASHTRA	1755.85	119.20		69.08	14.51
35	DEWAS-SHAJAPUR KGB	MADHYA PRADESH	255.15	297.20		75.98	7.60
36	FARRUKHABAD GB	UTTAR PRADESH	0.00	854.22		59.55	14.11
37	GIRIDIH KGB	JHARKHAND	0.00	178.80		60.84	12.77
38	HAZARIBAGH KGB	JHARKHAND	0.00	284.78		45.96	20.68
39	INDORE-UJJAIN KGB	MADHYA PRADESH	260.34	144.57		74.03	5.73
40	NIMAR KGB	MADHYA PRADESH	1311.17	230.29		72.81	17.55
41	RAJGARH-SEHORE KGB	MADHYA PRADESH	969.61	257.59		80.52	7.09
42	RANCHI KGB	JHARKHAND	3864.54		-178.55	57.00	23.46
43	RATNAGIRI-SINDHUDURG GB	MAHARASHTRA	696.06	96.27		81.40	4.58
44	SINGHBHUM KGB	JHARKHAND	2443.17	138.14		44.96	16.75
45	SOLAPUR GB	MAHARASHTRA	751.28	31.23		57.59	11.93
B.O.I Total			**17740.32**	**5464.34**	**-178.55**	**68.56**	**12.15**
46	AURANGABAD-JALNA GB	MAHARASHTRA	0.00	334.52		64.69	29.65
47	MARATHWWADA GB	MAHARASHTRA	6121.68	329.30		57.70	32.18
48	THANE GB	MAHARASHTRA	0.00	134.77		68.80	13.78
B.O.M Total			**6121.68**	**798.59**	**0.00**	**60.56**	**30.48**
49	MEWAR AGB	RAJASTHAN	1373.76	6.26		70.60	15.84
B.O.RAJ. Total			**1373.76**	**6.26**	**0.00**	**70.60**	**15.84**
50	AKOLA GB	MAHARASHTRA	1300.78		-170.45	59.29	22.48
51	BALLIA KGB	UTTAR PRADESH	0.00	138.07		52.45	32.67
52	BULDHANA GB	MAHARASHTRA	0.00	167.50		74.80	16.01
53	CHAMBAL KGB	MADHYA PRADESH	631.41	311.35		77.83	14.69
54	CHAMPARAN KGB	BIHAR	9412.44		-1437.99	75.93	11.20
55	CHHINDWARA-SEONI KGB	MADHYA PRADESH	2161.90		-194.61	54.93	16.61
56	ETAWAH KGB	UTTAR PRADESH	1112.22	51.51		60.01	17.33
57	GOPALGANJ KGB	BIHAR	0.00	215.84		61.11	12.82
58	GWALIOR-DATIA KGB	MADHYA PRADESH	0.00	122.90		62.62	17.77
59	HADOTI KGB	RAJASTHAN	2407.68	128.30		86.20	7.18

60	KGB HOSHANGABAD	MADHYA PRADESH	1406.87	463.36		78.17	10.82
61	KOSI KSH GB	BIHAR	7656.29		-693.05	76.81	20.10
62	MADHUBANI KGB	BIHAR	6112.73		-858.52	44.17	9.92
63	MANDLA-BALAGHAT KGB	MADHYA PRADESH	1414.68	261.68		74.05	7.56
64	MITHILA KGB	BIHAR	5104.65		-774.30	60.41	13.30
65	RATLAM-MANDSAUR KGB	MADHYA PRADESH	0.00	253.98		80.77	14.66
66	SARAN KGB	BIHAR	4935.78		-1157.69	30.80	29.82
67	SHAHDOL KGB	MADHYA PRADESH	2453.82		-425.08	68.75	15.73
68	SIWAN KGB	BIHAR	0.00	745.93		60.14	16.74
69	SURGUJA KGB	CHHATTISGARH	2863.96	347.44		78.62	3.70
70	UTTAR BANGA KGB	WEST BENGAL	6702.82		-1062.58	65.92	17.33
71	VAISHALI KGB	BIHAR	12693.08		-2149.75	44.35	29.66
72	YAVATMAL GB	MAHARASHTRA	0.00	115.46		71.52	11.67
C.B.I Total			**68371.11**	**3323.32**	**-8924.02**	**69.26**	**15.90**
73	ALIGARH KGB	UTTAR PRADESH	0.00	2163.59		77.16	11.66
74	CHITRADURGA GB	KARNATAKA	0.00	401.56		81.52	7.63
75	ETAH GB	UTTAR PRADESH	0.00	350.54		82.08	19.66
76	JAMUNA GB	UTTAR PRADESH	0.00	1001.60		70.30	16.21
77	KOLAR GB	KARNATAKA	0.00	361.69		74.29	11.67
78	SAHYADRI GB	KARNATAKA	0.00	300.06		83.71	11.56
79	SOUTH MALABAR GB	KERALA	0.00	2213.07		89.53	5.69
80	TUNGABHADRA GB	KARNATAKA	0.00	2005.00		81.83	8.17
CANARA Total			**0.00**	**8797.11**	**0.00**	**84.14**	**8.60**
81	CHICKMAGALUR-KODAGU GB	KARNATAKA	0.00	132.76		55.18	22.19
CORPN Total			**0.00**	**132.76**	**0.00**	**55.18**	**22.19**
82	BANASKANTHA-MEHSANA GB	GUJARAT	1749.35	284.01		84.72	10.76
83	DURG-RAJNANDGAON GB	CHHATTISGARH	974.60	504.90		42.33	30.81
84	KUTCH GB	GUJARAT	0.00	502.77		77.04	6.22
85	SABARKANTHA-GANDHINAGAR GB	GUJARAT	0.00	390.16		75.06	10.24
DENA Total			**2723.95**	**1681.84**	**0.00**	**71.66**	**15.99**
86	DHENKANAL GB	ORISSA	0.00	325.25		80.87	4.79
87	PANDYAN GB	TAMILNADU	0.00	482.00		91.08	3.86
88	PURI GB	ORISSA	5708.72	48.39		75.50	11.07
I.O.B Total			**5708.72**	**855.64**	**0.00**	**84.77**	**6.23**
89	ADHIYAMAN GB	TAMILNADU	0.00	300.61		80.21	4.82
90	KANAKADUGRA GB	ANDHRA PRADESH	0.00	211.98		84.54	7.43
91	SHRI VENKETESHWARA GB	ANDHRA PRADESH	0.00	404.40		87.23	3.65
92	VALLALAR GB	TAMILNADU	0.00	182.01		84.83	6.98

INDIAN Total			**0.00**	**1099.00**	**0.00**	**84.99**	**4.77**
93	JAMMU RB	JAMMU & KASHMIR	0.00	1198.63		60.65	12.49
94	KAMRAZ RB	JAMMU & KASHMIR	471.10		-99.93	66.11	8.86
J&K BANK Total			**471.10**	**1198.63**	**-99.93**	**62.36**	**11.52**
95	FARIDKOT-BHATINDA KGB	PUNJAB	0.00	311.37		90.34	10.88
P&S BK Total			**0.00**	**311.37**	**0.00**	**90.34**	**10.88**
96	ALWAR-BHARATPUR AGB	RAJASTHAN	0.00	1382.47		86.11	2.50
97	AMBALA KURUKSHETRA GB	HARYANA	0.00	389.61		83.58	10.38
98	BHOJPUR ROHTAS GB	BIHAR	0.00	1656.84		70.50	11.85
99	DEVI PATAN KGB	UTTAR PRADESH	0.00	916.76		70.18	15.16
100	GURDASPUR-AMRITSAR KGB	PUNJAB	0.00	1406.60		92.23	6.64
101	HARYANA KGB	HARYANA	405.06	1303.74		83.33	3.79
102	HIMACHAL GB	HIMACHAL PRADESH	0.00	878.63		81.05	6.01
103	HINDON GB	UTTAR PRADESH	0.00	187.66		84.50	8.71
104	HISSAR-SIRSA KGB	HARYANA	0.00	557.81		87.53	5.57
105	KAPURTHALA-FEROZPUR KGB	PUNJAB	0.00	731.16		95.03	1.30
106	KISAN GB	UTTAR PRADESH	439.23	315.76		76.37	11.67
107	MAGADH GB	BIHAR	0.00	1825.38		49.13	21.12
108	MUZAFFARNAGAR KGB	UTTAR PRADESH	0.00	222.19		76.76	10.01
109	NALANDA GB	BIHAR	4324.15	52.05		81.41	28.41
110	PATALIPUTRA GB	BIHAR	0.00	253.54		65.77	9.21
111	RANI LAKSHMI BAI KGB	UTTAR PRADESH	3537.27	29.79		81.14	7.89
112	SHEKHAWATI GB	RAJASTHAN	0.00	1316.95		71.14	12.65
113	SHIVALIK KGB	PUNJAB	0.00	990.32		73.66	3.54
114	VIDUR GB	UTTAR PRADESH	0.00	501.80		94.20	2.10
P.N.B Total			**8705.71**	**14919.06**	**0.00**	**81.55**	**8.65**
115	BIKANER KGB	RAJASTHAN	698.82		-60.87	70.02	7.57
116	MARWAR GB	RAJASTHAN	0.00	711.26		87.40	6.13
117	SRIGANGANAGAR KGB	RAJASTHAN	480.37	160.08		83.51	3.24
S.B.B.J Total			**1179.19**	**871.34**	**-60.87**	**84.37**	**5.38**
118	GOLCONDA GB	ANDHRA PRADESH	0.00	351.53		59.99	9.72
119	SHRI SATHAVAHANA GB	ANDHRA PRADESH	0.00	267.89		60.68	12.39
120	SRI SARASWATHI GB	ANDHRA PRADESH	0.00	380.15		78.89	7.24
121	SRIRAMA GB	ANDHRA PRADESH	0.00	321.81		70.07	4.52
S.B.H Total			**0.00**	**1321.38**	**0.00**	**70.07**	**8.52**

122	ALAKNANDA GB	UTTARANCHAL	0.00	51.94		82.07	6.78
123	ARUNACHAL PRADESH RB	ARUNACHAL PRADESH	2452.59		-217.83	22.61	74.41
124	BASTAR KGB	CHHATTISGARH	4449.10	178.25		82.08	7.53
125	BASTI GB	UTTAR PRADESH	0.00	108.88		60.48	28.89
126	BILASPUR-RAIPUR KGB	CHHATTISGARH	4099.37	310.88		76.59	13.30
127	BOLANGIR AGB	ORISSA	14222.41		-1018.60	65.87	15.14
128	BUNDELKHAND KGB	MADHYA PRADESH	2195.76		-111.71	78.49	11.99
129	DAMOH-PANNA-SAGAR KGB	MADHYA PRADESH	0.00	120.30		84.58	6.39
130	ELLAQUI DEHATI BANK	JAMMU & KASHMIR	7726.50		-984.58	77.85	8.63
131	GANGA-YAMUNA GB	UTTARANCHAL	295.43		-98.12	59.85	22.65
132	GORAKHPUR KGB	UTTAR PRADESH	0.00	871.98		63.52	27.00
133	KAKATHIYA GB	ANDHRA PRADESH	1770.62		-336.44	61.94	17.01
134	KALAHANDI AGB	ORISSA	3327.48		-90.05	66.79	23.20
135	KHASI JAINTIA RURAL KA BK	MEGHALAYA	0.00	221.32		54.30	29.46
136	KORAPUT PANCHABATI GB	ORISSA	1428.32		-537.40	52.03	32.18
137	KRISHNA GB	KARNATAKA	0.00	703.30		72.05	12.60
138	LANGPI DEHANGI RB	ASSAM	2241.42	0.82		62.20	6.64
139	MANJIRA GB	ANDHRA PRADESH	0.00	660.21		70.39	14.24
140	MIZORAM RB	MIZORAM	519.36	38.73		61.23	24.02
141	NAGALAND RB	NAGALAND	199.03		-41.03	61.17	24.42
142	NAGARJUNA GB	ANDHRA PRADESH	492.00	837.11		72.26	9.13
143	PALAMAU KGB	JHARKHAND	3618.02		-533.03	47.32	36.75
144	PARVATIYA GB	HIMACHAL PRADESH	0.00	37.51		79.60	13.18
145	PITHORAGARH KGB	UTTARANCHAL	0.00	277.02		98.35	0.00
146	RAIGARH KGB	CHHATTISGARH	855.80	431.67		76.64	17.30
147	SAMASTIPUR KGB	BIHAR	3436.46		-549.11	58.23	18.20
148	SANGAMESHWRA GB	ANDHRA PRADESH	0.00	1200.16		72.50	9.21
149	SANTHAL PARGANAS GB	JHARKHAND	3264.68		-449.48	32.56	29.45
150	SHIVPURI-GUNA KGB	MADHYA PRADESH	1882.88	164.28		73.66	13.99
151	SRI VISAKHA GB	ANDHRA PRADESH	655.63	598.37		74.44	11.40
S.B.I Total			**59132.86**	**6812.73**	**-4967.38**	**68.78**	**17.17**
152	VIDISHA-BHOPAL KGB	MADHYA PRADESH	0.00	390.07		75.01	7.87
S.B.IND Total			**0.00**	**390.07**	**0.00**	**75.01**	**7.87**
153	CAUVERY GB	KARNATAKA	0.00	180.46		80.06	11.70
154	KALPATHARU GB	KARNATAKA	0.00	307.22		70.10	11.62
S.B.M Total			**0.00**	**487.68**	**0.00**	**77.35**	**11.66**

155	MALWA GB	PUNJAB	0.00	533.56		94.38	2.54
S.B.P Total			**0.00**	**533.56**	**0.00**	**94.38**	**2.54**
156	JAMNAGAR GRAMIN BK	GUJARAT	0.00	563.30		89.57	2.74
157	JUNAGADH-AMRELI GB	GUJARAT	0.00	148.28		83.46	7.87
158	SURENDRANAGAR-BHAVNAGAR GB	GUJARAT	0.00	401.34		84.47	4.87
S.B.S Total			**0.00**	**1112.92**	**0.00**	**85.71**	**4.18**
159	BIJAPUR GB	KARNATAKA	0.00	1849.44		70.22	8.02
160	GURGAON GB	HARYANA	0.00	3485.78		84.68	4.94
161	MALAPRABHA GB	KARNATAKA	0.00	3449.51		70.38	9.88
162	NETRAVATI GB	KARNATAKA	0.00	158.67		84.97	2.55
163	NORTH MALABAR GB	KERALA	0.00	1620.05		77.16	10.59
164	PINAKINI GB	ANDHRA PRADESH	0.00	1432.07		70.26	5.80
165	PRATHAMA BANK	UTTAR PRADESH	0.00	5170.64		85.34	5.41
166	RAYALSEEMA GB	ANDHRA PRADESH	0.00	2944.91		60.47	3.54
167	SREE ANANTHA GB	ANDHRA PRADESH	0.00	2061.79		71.04	7.50
168	VARADA GB	KARNATAKA	0.00	374.39		75.39	7.01
SYNDICATE Total			**0.00**	**22547.25**	**0.00**	**74.60**	**7.02**
169	CACHAR GB	ASSAM	744.74	156.09		66.90	9.16
170	GAUR GB	WEST BENGAL	8615.78	101.40		68.88	12.71
171	LAKHIMI GB	ASSAM	2499.77	167.91		81.43	4.47
172	MALLABHUM GB	WEST BENGAL	5431.20	75.53		72.24	15.74
173	MANIPUR RB	MANIPUR	1567.73		-144.26	51.80	38.32
174	MURSHIDABAD GB	WEST BENGAL	94.95	323.70		61.24	24.48
175	NADIA GB	WEST BENGAL	1035.47	407.80		50.18	24.59
176	PRAGJYOTISH GB	ASSAM	2791.12	958.79		52.73	17.53
177	SAGAR GB	WEST BENGAL	1748.04	190.61		59.08	23.40
178	SUBANSIRI GB	ASSAM	681.79	189.76		8.03	19.26
179	TRIPURA GB	TRIPURA	13500.50	642.58		44.56	27.54
U.B.I Total			**38711.09**	**3214.17**	**-144.26**	**61.55**	**17.69**
180	BALASORE GB	ORISSA	9934.27		-1165.55	43.06	23.22
181	BARDHAMAN GB	WEST BENGAL	0.00	109.60		71.60	9.80
182	BEGUSARAI KGB	BIHAR	0.00	102.52		60.57	16.85
183	BHAGALPUR-BANKA KGB	BIHAR	1429.58		-318.23	24.04	36.33
184	CUTTACK GB	ORISSA	10244.28	46.39		55.24	16.75
185	HOWRAH GB	WEST BENGAL	0.00	482.45		81.19	8.98
186	JAIPUR NAGAUR AGB	RAJASTHAN	0.00	83.77		82.20	12.73
187	MAHAKAUSHAL KGB	MADHYA PRADESH	3146.03		-373.07	72.73	10.57
188	MAYURAKSHI GB	WEST BENGAL	4416.54	75.91		78.66	6.97
189	MONGHYR KGB	BIHAR	6092.89		-625.26	32.44	28.47
190	THAR AGB	RAJASTHAN	1826.65	80.92		84.95	3.86
U.C.O Total			**37090.24**	**981.56**	**-2482.11**	**67.17**	**13.63**

191	KSHETRIYA KISAN GB	UTTAR PRADESH	3577.69		-148.84	67.17	25.74
U.P.S.C.B Total			**3577.69**	**0.00**	**-148.84**	**67.17**	**25.74**
192	GOMTI GB	UTTAR PRADESH	0.00	603.38		58.01	25.21
193	KASHI GB	UTTAR PRADESH	737.71	954.99		62.50	14.68
194	REWA-SIDHI GB	MADHYA PRADESH	0.00	250.90		64.41	18.78
195	SAMYUT KGB	UTTAR PRADESH	0.00	2301.33		73.30	14.68
UNION Total			**737.71**	**4110.60**	**0.00**	**65.18**	**17.86**
196	VISVESHWARAYA GB	KARNATAKA	0.00	223.30		81.14	5.07
VIJAYA Total			**0.00**	**223.30**	**0.00**	**81.14**	**5.07**
Grand Total			**272534.87**	**95232.89**	**-18364.66**	**73.49**	**12.63**

(Source:NABARD)

Annexure II

Recommendations of various committees on RRBs relevant to the Terms of Reference – Action taken thereon

Sl No.	Recommendation	Made by	Action taken
1 2 3	**Establishment of RRBs.** **Emphasis on viability with recognition that in initial years the rural bank might suffer losses.** A certain degree of flexibility of operation may be permitted with exemption in existing banking laws and regulations.	Working Group on Rural Banks, 1975 **(Narasimham Committee)**	1. RRBs established in 1976 2. Viability is being emphasised now; 163 RRBs reported profit and 33 in loss as of 31 March 2004. 3.The RRBs enjoyed initial exemptions as a matter of policy in respect of regulatory norms. However, in the wake of financial sector reforms, the RRBs are now being subjected to same regulatory norms as commercial banks.
4 5	The qualitative and quantitative dimensions of the credit gap are so large that neither the commercial banks nor cooperatives would be able to fill them up. RRBs are needed to make good some of the inadequacies in the existing rural credit system and they should become an integral part of rural credit structure. Board to have district development officials, persons	The Committee on Rural Banks, 1978 **(Dantwala Committee)**	4. The number of RRBs has gone up to 196 in 1987 and this expansion made RRBs an integral part of rural credit delivery system. 5. Amendments in 1988 in RRBs Act resulted in induction of two non-official directors in the boards of RRBs.

	with local knowledge, bank officials so as to have a proper mix of technical, banking and local needs/aspirations.		
6	Chairman to be appointed by the Board of RRB with concurrence of RBI.		6. The chairmen of RRBs were appointed by GoI in consultation with RBI. On formation of NABARD, this was in consultation with NABARD. Later on, Sponsor Banks were empowered to appoint Chairmen in consultation with NABARD.
7	A separate institution for training needs of RRBs may be set up by sponsor banks.		7. Sponsor Banks set up the Training Centres with focus on RRB staff. However, in due course of time, NABARD set up BIRD for focused training of officers of RRBs.

8	The losses incurred by a RRB should be made good annually by the shareholders in the same proportion of their shareholdings.	Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development **(CRAFICARD), 1981**	8. This was not accepted. However, under the ascheme of recapitalisation, financial support was provided by the shareholders in the proportion of their shareholdings.
9	In areas where the terrain is difficult, the accessibility is limited, the area itself requires further monetisation and particularly all families belonging to weaker sections in the North Eastern Region, the approach to RRB may have to be different and it mat be allowed to cover larger areas and also finance all the categories of borrowers fro all purpose.		9. In the course of time, RRBs have been allowed financing all categories of borrowers.

10 11	Small and uneconomic RRBs to be merged in the interest of economic viability. Accumulated losses of RRBs to be shared by the shareholders in the form of grants to RRBs in proportion of their equity holding.	**Working Group on RRBs (Kelkar Committee), 1984**	10. The issue of merger of RRBs is under consideration of the Government of India. 11. Not implemented. However, under the ascheme of recapitalisation, financial support was provided by the shareholders in the proportion of their shareholdings.
12	The weaknesses of RRBs are endemic to the system and non-viability is built into it, and the only option was to merge the RRBS with the sponsor banks. The objective of serving the weaker sections effectively could be achieved only by self-sustaining credit institutions.	Agricultural Credit Review Committee, 1989	12. This recommendation was not accepted.

13 14 15	Evolve a rural banking structure, which would combine the advantage of the local character of the RRBS and the strength and organization/ managerial skills of the commercial banks. The Committee saw the solution in the form of rural banking subsidiaries of public sector banks. It was left to the RRBs and their sponsor banks as to whether the RRBS should retain their separate identity or be merged woth such subsidiaries. To impart viability to the operations of RRBs, they should be permitted to engage in all	Committee on Financial System (Narasimham Committee), 1991	13. The concept of Local Are Banks was brought in, albeit with limited success. However, the recommendation of rural subsidiaries of commercial banks was not accepted. 14. Not implemented. 15. Over a period of time, RRBs were allowed to finance non-target group, non-farm sector and non-

	types of banking business and should not be forced to restrict their operations to the target groups.		priority sector clients in a defined proportion. In 1998, the priority sector lending guidelines were issued for RRBs that were analogous to those for commercial banks.
16 17	In order to further improve the viability of RRBs, a mechanism should be worked out under which the RRBS should be able to place their surplus funds with NABARD or a special agency which would deploy them on behalf of the RRBs. Introduce a guarantee bond system for management of cash till consideration of currency chests in RRBs.	Working Group on Funds Management in RRBs (Misra Committee), 1995	16. Not implemented. 17. Not implemented.

18	Identified 49 RRBs for comprehensive restructuring. It recommended greater devolution of decision-making powers to the Boards of RRBs in the matters of business development and staff matters.	Committee on Restructuring of RRBs,1994 (Bhandari Committee)	18. Comprehensive changes were made in decision making systems in RRBs in view of restructuring scheme of GoI.

19 20 21	Introduction of Prudential Norms for RRBs with suitable modifications. Broad-basing the selection of Chairman of RRBs. Some of the RRBs might not be able to respond positively to the	Committee on Revamping of RRBs,1996 **(Basu Committee)**	19. Implemented 20. Powers given to Sponsor Banks to appoint Chairmen in consultation with NABARD. 21. No RRB yet considered for liquidation

	'Stand Alone' Approach or any other revamping strategy'. Liquidation of such RRBs might be the only solution.		
22	Categorisation of RRBs as per their viability status and size to provide appropriate policy treatment to them. Very weak RRBs to be viewed separately and possibility of their liquidation be recognized. They might be merged with neighboring RRBs.	Expert Group on RRBs 1997 **(Thingalaya Committee)**	22. No consideration yet given to these recommendations.
23	Adequate autonomy to Board of Directors for decisions on all matters relating to business without having to refer to apex authorities.		23. By practice, over a period of time, the references to apex institutions have been reduced. The RRBs have been advised to refer the matters to their Sponsor Banks only which, if necessary, would refer the matter to NABARD for onward references.
24	Professionalisation of Boards.		24. RRB Boards are being constituted as per the provisions of RRBs Act.
25	Strengthening of Internal Inspection System set up in RRBs and introduction of Vigilance Cells.		25. Inspection Cells have been strengthened by all RRBs but the RRBs are under Vigilance System of Sponsor Banks.
26	Role overlap between RBI, NABARD and Sponsor Banks to be avoided.		26. Sponsor Banks have been advised to be squarely responsible for performance of RRBs.

27	The recommendations made were not specific to RRBs but some of them covering the operations of rural credit institutions would also impact the RRBs. Some of these recommendations are listed below: Gradual enforcement of capital adequacy norms taking cognizance of various external and internal factors having an impact on the operations of rural credit institutions.	Expert Committee for Review of Supervisory Role of NABARD **(U.K.Sarma Committee)**	27. Capital Adequacy Norms yet not implemented for RRBs.
28	Refocusing of the on-site inspection strategy so as to concentrate on evaluation of the critical aspects of the macro level functioning of RRBs on 'CAMELS' model leaving various micro level aspects to various internal systems. Simultaneously, there should be more emphasis on off-site surveillance of the critical areas of functioning of the banks.		28. Suggested approach has been adopted by NABARD.
29	Setting up of an autonomous Board of Supervision in NABARD for overall supervision of entire rural credit delivery system.		29. Board of Supervision has been set up by NABARD and it covers RRBs as well.
30	All regulatory and supervisory	Committee	30. Not implemented.

31	functions over rural credit institutions should vest with the Board for Financial Regulation and Supervision. Positive steps be taken to bring the RRBs on the right path of solvency, profitability and productivity without undermining the ultimate objectives of rural development.	on Banking Sector Reforms, 1998 (Narasimham Committee)	31. The policy initiatives during the decade of nineties have resulted in turnaround of RRBs. 163 RRBs have reported profit during the year 2003-04. Of these, 106 RRBs have wiped off the accumulated losses altogether.
32	Deputation of staff from surplus RRBs to deficit RRBs, outsourcing and redeployment of staff, to manage manpower surplus/shortage in different RRBs.	Committee on Manpower Norms in RRBs (Agrawal Committee)	32. GoI guidelines on inter-RRB adjustment and redeployment of staff have already been issued.
33 34	Shares of defaulting State Governments could be taken over by some other willing party at an independently determined fair price. This willing party could be sponsor banks, NBFCs or even the RRB Employees. The sponsor bank should ensure necessary autonomy for RRBs in their credit and other portfolio management system.	Expert Committee on Rural Credit, 2001 (Vyas Committee I)	33. Not implemented. 34. This is being introduced by practice in RRBs sponsored by various Sponsor Banks. No specific guidelines issued in this regard.
35 36	Introduction of capital adequacy norms with due adaptations, for RRBs, in a phased manner A differentiated ownership pattern on the basis of four financial	Working Group to suggest Amendments in the RRBs Act, 1975, 2001.	Recommendations of Chalapathy Rao committee are still under consideration of GoI. No final decision has been taken on these recommendations.

	health categories of various RRBs. Liquidate some of the RRBs at the bottom of the financial health parameters, to ensure the depositors' safety, as also the integrity of the inter-bank payment system	(Chalapathy Rao Committee)	
37	The entire system of RRBs may be consolidated while retaining the advantages of regional character of these institutions. As part of the process, some sponsor banks may be eased out.		
38	The Sponsoring Institutions may include other approved financial institutions as well, in addition to commercial banks.		
39	While the basic aspects of regulation under the B.R. Act may continue with RBI, a 'Supervisory Authority' may be designated to handle statutory inspection, supervisory concerns and issuance of directives and instructions.		
40	Number of State nominees in RRB Board should be reduced from two to one and the strength of sponsor bank's nominee directors be increased from two to three. Further, the term of non-official directors should not exceed four years in normal circumstances. The guidelines stipulating that Government deposits be made only in nationalised banks should	Estimates Committee – 2000-01	40. Action pending with the Government of India.

41	be reviewed and suitably modified so that such funds could also be deposited in RRBs.		41. Action pending with the Government of India.
42	Appropriate steps should be taken for providing recapitalisation support to the loss making and partially recapitalised RRBs for making them viable.		42. Action pending with the Government of India.
43	RBI should examine the desirability of enhancing the percentage of lending to the priority sector by the RRBs.		43. The priority sector lending requirement fro RRBs raised from 40% to 60% of their total advances.
44	Two different models need to be applied - a zonal bank for RRBs in the North-East, and rural banks at state level for the rest of the country. The latter would be in 2 stages. As a first step, all RRBs of a sponsor bank in a state would be amalgamated into a single unit in that state. The second step would be state-wise consolidation and formation of state level rural banks.	Advisory Committee on Flow of Credit to Agriculture and Related Activities, 2004 (Vyas Committee II)	No decision on these recommendations has yet been taken.
45	The restructured state/zonal RRBs may be permitted to seek cheaper funds through issue of Certificates of Deposits.		
	Income-tax exemption granted to		

	RRBs may be continued to the newly formed RRBs.		
46	The group recommended the amalgamation of RRBs on regional basis into six commercial banks - one each for the Northern, Southern, Eastern, Western, Central and North-Eastern Regions.	Group of CMDs of Select Public Sector Banks, 2004 (Purwar Committee)	These recommendations have yet not been accepted by GoI.

Annexure III

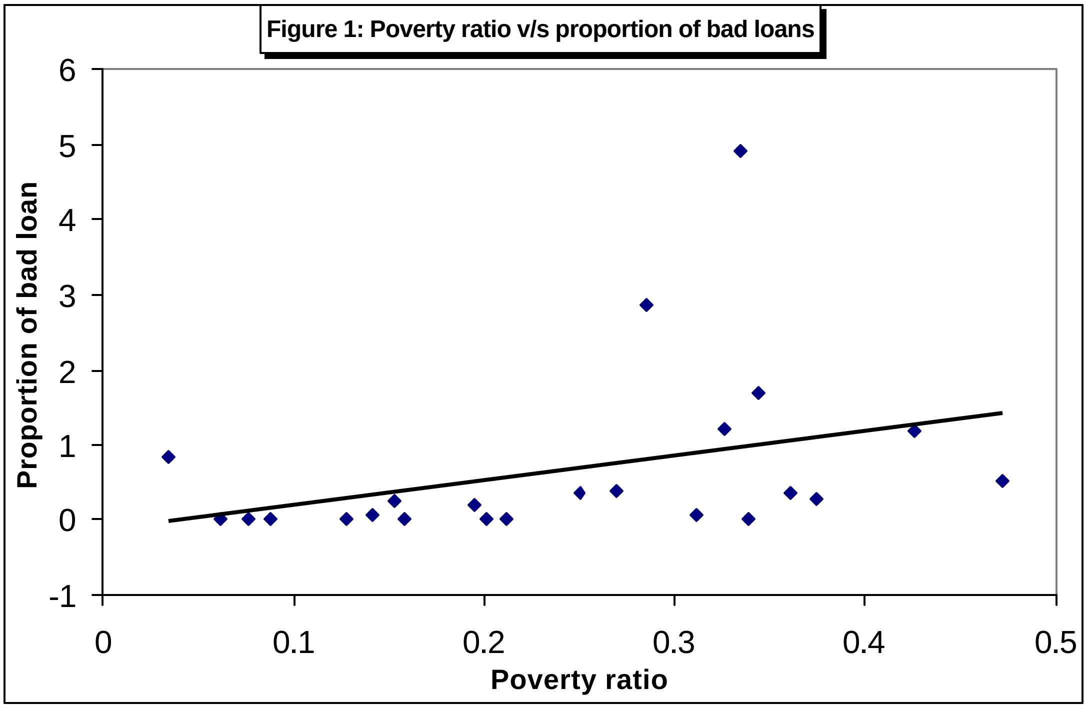
Restructuring of Regional Rural Banks

Regional Rural Banks (RRBs) were introduced and promoted by the Government of India with the noble objective of promoting savings habits and providing credit delivery mechanism to the rural India. The target groups were small and marginal farmers, agricultural labourers, artisans and small entrepreneurs for development of agriculture, trade, industry and other commercial activities in rural India. RRBs have wide reach in rural India and with their region-centric banking activities and closer relationship with the local authorities and population, they were expected to provide necessary banking infrastructure. They cover 516 districts across the country operating through 14443 branches and account for 43 per cent of the total rural branches of the scheduled commercial banks. They have been successful in mobilizing small savings in the rural sector.

However, RRBs as a credit delivery channel to the targeted rural poor seems to be less successful. Their credit growth measured in terms of Credit-Deposit ratio and in terms of yearly growth rates indicate a clear slow down. There could be various impediments in reaching its objectives. It is generally recognized that the following factors are major disabling factors:

The target rural group has been one of the most weaker and lowest strata of the Indian society. Smaller and marginal farmers and agricultural labourers always run short of money even for meeting their daily needs of life. Given the fact that most the villages in India still does not have clean drinking water and sanitation facilities, top it with lack of basic health facilities, makes them one of the most vulnerable groups in India. In any nature-made or man-made calamities, they are the most affected.

Thus, credit facilities taken by the rural poor are mostly not utilized for specified productive objective for which it was made available. For instance, when an agricultural labourer takes a small loan from an RRB for the purpose of buying a cow and small portion of it only being utilized for the stated purpose, with the remaining amount used for household needs or for tending the sick. Such misappropriation seems very common and ultimately the labourer who took the loan would be unable to repay it. This naturally leads to substantial non-performing and lost assets in RRBs.



This is further substantiated by the strong correlation between the accumulated loss of RRBs as percentage of gross loan and head-count poverty ratio. Figure 1 above presents the scatter-plot for the two variables, based on 1991 poverty ratio. The correlation between the accumulated loss and poverty ratio is 0.35. After excluding the two outlying observations, the correlation turns out to be 0.45, which is statistically significant. Thus, states with lower levels of incidences of poverty have lower accumulated losses and, naturally, the overall health of RRBs in such states are better than their counterparts in states with much higher incidences of poverty. For instance, RRBs in states with lower poverty ratio such as Haryana, Punjab, Gujarat, Karnataka have substantially lower accumulated loss as compared to their counterparts in Tripura, Madhya Pradesh, Bihar and Orissa.

This indicates that the problem faced by RRBs in terms of lower credit, lower recovery rates and higher accumulation of losses are highly reflective of the socio-economic background of their operations.

Further, by curtailing of any of the present activities of RRBs amounts to curtailing one important channels of reaching out to the rural poor. Thus, despite substantial difficulty in meeting the needs of RRBs by regularly pumping money through capital infusion into these entities, there is a need to strengthen the existing system of RRBs.

Factors of nonperformance of RRBs: A statistical analysis

In order to understand the difficulties faced by RRBs in a rigorous fashion, it seems appropriate to look at them based on their past performance both in terms of standard financial ratios and also based on statistical models. Towards this, first we look at the financial ratios of 16 RRBs which have been making consistent performance in terms of net profit during a financial year. There are 16 RRBs which have made net losses during last three years (2001-02, 2002-03 and 2003-04). We also select top 16 profit making banks during 2003-04. Tables 1-2 present financial ratios such as CD ratio, operating

profit, net profit, net interest income, all as percentages of total assets. Salient observations based on these financial ratios are the following:
Credit-Deposit ratios of profit making banks are much higher than loss making banks. Average CD ratio of the former in 2003-04 was 56.3 per cent while that of loss making banks was at 37.7 per cent. Also, average CD ratios of profit making banks have improved substantially across the years. Average CD ratio of profit making RRBs was at 48.7 per cent in 2001-02, which increased to 53.1 per cent in 2002-03 and further to 56.3 per cent in 2003-04. For loss making banks, it has been stagnant around 37.7 per cent, with a tendency to decline.
For profit making banks, both operating profits and net profits (excluding profits carried over) have been increasing. However, for loss making banks, such a pattern has not been visible.
Further, net interest income as percentages of total assets, which is one of the most important indicators of health of a bank capturing the available spread, has been stable at 4.6 per cent for profit making banks. However, for loss making banks, this important ratio is stagnant at a much lower level of 0.9 per cent.

In order to analyse major reasons for what makes an RRB perform badly which results in poor spread and thus negative overall profitability, it is essential to look at expenditures incurred in terms of interest expenditure and operating expenditure. Tables 3-4 present important expenditure indicators for both the set of selected banks. Salient features are the following:
Loss making RRBs incur comparatively lower expenditure towards interest payments than their profit making counterparts.
There has been marginal increase in operating expenditure as percentage of total expenditure for both the set of banks with loss making RRBs incurring much higher operating expenditures.
One of the major reasons for making a bank loss making one is the increasing wage bill, which as percentage of total expenditure for profit making RRBs increased from 24.8 per cent in 2001-02 to 25.4 per cent in 2002-03 and marginally declined to 25.0 per cent in 2003-04. However, the respective numbers for the loss making RRBs were 29.2 per cent, 35.7 per cent and 32.4. Thus, even though there is a marginal decline the total wage bill during 2003-04, it is still higher for loss making RRBs. Besides, wage bill as percentages of operating expenditure has been more or less stagnant and much higher for this group.
Thus, even though they have lower interest expenditure, loss making RRBs incur much higher wage bills. This, along with lower credit off-take and narrow net interest income, hurt the bottom line of loss making RRBs and further deteriorate their health.
It is worthwhile to look at the problem statistically and analyse net profit of profit making and loss making RRBs separately in terms of major profitability ratios and expenditure ratios. For this exercise, any RRB with net loss (excluding accumulated profit/loss) during 2003-04 is considered as a loss making one and, a profit making bank otherwise. Objective here is to identify most prominent factor that makes a bank sick. The regression equations are the following:

Loss making banks:

Net profit for 2003-04 =0.22 + 0.71 Net interest income for 2003-04
(0.33) (6.29)
+ 0.4 Other expenses for 2003-04 – 1.07 Wage bill for 2003-04
(1.78) (-4.80)

DW statistic: 1.51

Profit making banks:

Net profit for 2003-04 = 0.54 + 0.84 Net interest income for 2003-04
(1.68) (12.66)
– 0.77 Other expenses for 2003-04 – 0.74 Wage bill for 2003-04
(-3.54) (-6.96)

DW statistic: 2.1

Here, 'Other expenses' stands for operating expenses other than wage bill. All variables are taken as percentages of total assets. Figures in parentheses indicate respective t-values.

The most significant observation based on these models is the effect of wage bills. Both for profit making banks and for loss making banks, wage bills play a statistically significant role in net profits with a negative sign, rightly indicating that it reduces profitability substantially. Also, net interest income (spread) plays a positive role in net profit. However, for profit making banks, other expenses other than wages also play important role in profitability; this is not the case with loss making banks. In terms of t-values, the most significant variable is net interest income followed by wages. In this context it may be mentioned that high wage expenditure and low interest income were not entirely the result of the internal functioning of RRBs but in part, it devolved on them from outside by way of wage settlement for the sector and administered interest rates prevailing in the past – legacy issues.

In the light of the above, to make the functioning of RRBs more economically viable, a two-pronged approach can be adopted. First, providing good trainings on banking & finance, costing, IT, Business Management etc. would enhance the productivity and efficiency of the employees enabling them not only to streamline the present work areas (work process reengineering) but also to take up new activities with the newly acquired skill. These efforts would translate into better profit commensurate with pay bill. Second, fresh recruitments can be restricted when the process of normal retirement will commence in near future (most of the staff and officers were recruited during 1975). Use of IT in larger RRBs (with more than 100 branches – about 40) may lead to better assessment of credit risk, monitoring and transparency thus profit. Since the operations of RRBs are similar, a common software package can be developed for the sector taking advantage of economy of scale.

It is observed that for loss making RRBs, the ratio of net interest income to total assets is far lower at 0.9% while for profit making RRBs the ratio is 4.6%. This fact has been further corroborated by above statistical models. Thus to boost their profitability, RRBs may be allowed flexibility in their business model; that is, to provide more funds to any credit-worthy project outside the target group.

Capitalisation: Some views

RRBs are public entities with avowed objective of providing credit in rural areas to small and marginal agricultural farmers, artisans, etc. Considering their asset quality, risk

profile, credit concentration, it is necessary that they may not be allowed to garner public deposits unfettered. The fundamental principle that owners' stake in business should be in proportion to the size and risk of the business should be observed. Thus, RRBs should be advised to maintain a desirable level of capital adequacy. While prescribing a desired level, the following aspects may be kept in view.
Owners' are central and state governments and commercial banks.
Operation is confined to a particular region and credit is made available to a targeted group (social obligations).
Assets are risky.
At present 90 out of 196 RRBs are having accumulated losses.

In view of the above, it is felt that while RRBs are required to maintain capital adequacy, the ratio may not be as high as that of commercial banks. In this context it is observed that
if all the losses are to be wiped out and NPAs are to be provided for and a minimum paid up capital of Rs. 1 crore has to be maintained, then about Rs. 2629 crore has to be provided for.
If capital adequacy is to be maintained at the rate of 3 per cent, 5 per cent, and 8 per cent then Rs.2840 crore, Rs.3050 and Rs.3426 crore, respectively, are to be provided for.

The state-wise and sponsor bank-wise fund requirements are annexed. In the above computation, all the loans and advances were attached 100 per cent risk weight. Since majority of the investments of RRBs are in government securities, no risk weight has been attached to them.

To make capital infusion efficacious following considerations may be taken into account.

RRBs having CAR more than 5% and making profits in the last 3 years and having no accumulated loss may be considered as good banks and such RRBs be allowed to raise funds by way of bonds, debentures etc. or other instruments in the nature of tier II capital.
RRBs made loss in the last 3 consecutive years and having high NPA and accumulated loss (call it bad/ not viable) can be capitalized to wipe out loss and NPA but should be monitored closely. If turn around is not visible in 2/3 years' time then liquidation can be recommended. In case the concerned state government is not comfortable with the remedy, they may be requested to take care of the depositors' interest, indicating that deposit insurance may not be available.
For the rest of the RRBs, possibility of merger within a state can be explored. It is envisaged that by merger cost of operation in respect of housekeeping can be reduced and staff deployment from surplus to deficit branches could be more effective. Services of specialized staff (employed on contract basis in the areas of IT, legal etc.) can be used as a common pool. These efforts would improve the operational efficiency and profits of RRBs. Mergers can be between RRBs of same sponsor bank or different banks (may be with contiguous area of operation or not).

Summary

Given the milieu of rural India, it seems necessary that regional rural banks have to be repositioned and carry out their entrusted responsibility of meeting the credit requirement in the rural sector. However, there are various constraining factors such as low credit off-take, small ticket business, low recovery rate and high employee cost. In order to reposition RRBs, following steps may be taken:

Loss making RRBs should take steps for enhancing productivity by improving the skill and performance of their employees by better and specialized trainings in the areas of banking & finance, IT, management etc. and taking up new areas operation. To keep wage bill and loss in control, fresh recruitments when retirements will commence in near future can be planned strictly on the basis of business.

Flexibility in business model like providing funds for creditworthy projects out side the target area and taking up commission based activities like financial consultancy, insurance, mutual funds etc. can be introduced.

An appropriate rating model (one suggested above, CAMELS currently followed) can be implemented to categorize the RRBs depending on their performance. Based on their ratings, course of restructuring like a) strengthening of capital base by raising funds from outside or b) merger and amalgamation or c) recapitalization and close monitoring could be planned.

Implementation of a desired (workable) level of capital adequacy ratio say at

5% is desirable.

To wipe out accumulated loss and to maintain 5 per cent capital adequacy ratio and to provide for the NPAs, owners would be required to infuse capital to the extent of Rs.3050 crore.

Table 1: State-wise headcount poverty ratios and accumulated losses as percentage of gross loans

State	Headcount poverty ratio	Accumulated losses at % of gross loan
Andhra Pradesh	0.16	0.01
Arunachal Pradesh	0.33	4.91
Assam	0.36	0.36
Bihar	0.43	1.16
Gujarat	0.14	0.06
Haryana	0.09	0.01
Himachal Pradesh	0.08	0.00
Jammu & Kashmir	0.03	0.84
Karnataka	0.20	0.00
Kerala	0.13	0.00
Madhya Pradesh	0.37	0.28
Maharashtra	0.25	0.34
Manipur	0.29	2.86
Meghalaya	0.34	0.00
Mizoram	0.19	0.18
Nagaland	0.33	1.20
Orissa	0.47	0.50
Punjab	0.06	0.00
Rajasthan	0.15	0.23
Tamilnadu	0.21	0.00
Tripura	0.34	1.68
Uttar Pradesh	0.31	0.05
West Bengal	0.27	0.37

Table 2: Financial ratios of selected profit making RRBs – profitability indicators

RRBs	Credit deposit ratio			Operating profit as % of total assets			Net profit as % of total assets			Net Interest income as % of total assets		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
Prathama Bank	57.0	68.2	77.2	3.3	3.8	4.3	3.1	3.7	4.2	5.7	4.9	4.3
Gurdaspur Amritsar GB	33.5	38.5	45.5	3.4	3.4	3.8	3.4	3.4	3.8	4.7	4.4	4.6
Aligarh GB	40.1	44.7	53.9	2.5	3.0	4.0	2.4	2.6	3.7	4.2	4.2	4.7
Sree Anantha GB	70.1	75.9	83.2	3.4	3.5	4.5	2.7	3.4	3.6	4.7	4.7	5.6
Jamuna GB	22.7	24.9	31.8	1.4	2.1	4.3	1.3	1.8	3.6	3.2	2.8	3.0
Alwar Bharatpur GB	53.2	56.5	60.8	2.5	3.0	3.8	2.2	2.8	3.5	3.2	3.6	4.4
Gurgaon GB	41.2	41.2	42.5	3.8	3.7	3.6	3.8	3.8	3.5	5.4	4.4	4.1
Shahajahanpur KGB	46.4	49.7	47.9	3.9	3.5	3.5	3.9	3.5	3.5	5.3	5.0	4.8
Bhagirath GB	18.8	22.2	27.6	3.5	3.2	3.5	3.4	3.2	3.4	5.2	4.9	4.3
Kapurthala Firozpur KGB	36.1	37.8	38.2	3.5	4.7	4.0	3.3	4.6	3.3	5.4	5.3	4.1
Faridkot Bhatinda KGB	59.2	65.2	68.7	2.2	2.3	3.5	2.1	2.2	3.3	3.9	4.3	5.4
Shivalik KGB	25.8	28.9	32.6	3.4	3.4	4.2	3.2	3.3	3.3	4.6	4.2	4.3
Bijapur GB	78.1	87.0	87.0	3.2	3.3	3.3	3.2	3.3	3.3	4.7	4.7	4.7
Sarayu GB	45.8	57.0	46.9	4.1	4.1	3.6	4.0	4.0	3.3	5.2	5.3	4.4
Malaprabha GB	80.5	76.7	78.4	1.8	2.3	3.9	0.9	1.6	3.0	4.5	5.2	6.2
Sangameshwar GB	70.1	75.1	77.9	2.2	2.2	3.3	1.9	1.7	3.0	3.7	4.1	5.0
Average	**48.7**	**53.1**	**56.3**	**3.0**	**3.2**	**3.8**	**2.8**	**3.1**	**3.5**	**4.6**	**4.5**	**4.6**

Table 2: Financial performance of loss making RRBs – profitability indicators

RRBs	Credit deposit ratio			Operating profit as % of total assets			Net profit as % of total assets			Net Interest income as % of total assets		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
Arunachal Pradesh Rural Bank	84.8	36.8	28.2	-2.7	-7.2	-3.1	-12.7	-19.5	-3.0	-1.1	-3.3	-1.0
Balasore Gramya Bank	27.3	26.0	28.0	-6.4	-7.7	-5.5	-7.2	-7.4	-5.5	-3.5	-3.5	-2.5
Bolangir Anchalik GB	35.8	41.3	46.8	-1.7	-3.2	-1.8	-1.7	-3.7	-1.8	-0.4	0.2	0.5
Kakathiya GB	72.8	80.0	79.8	-0.4	-0.9	-0.7	-1.5	-1.0	-0.7	1.6	1.0	1.5
Kalahandi Anchalika GB	56.5	51.1	49.2	-1.6	-0.3	0.1	-3.5	-0.7	-0.3	1.9	2.1	2.2
Koraput Panchabati GB	63.6	58.8	52.6	-0.8	-0.8	-0.8	-1.2	-1.0	-1.5	1.7	2.5	2.0
K.Kisan GB	43.2	49.0	54.2	-0.2	-1.6	-0.5	-0.6	-2.1	-0.7	2.1	1.7	2.4
Madhubani KGB	17.3	21.2	20.8	-1.0	-2.7	-1.8	-1.2	-3.0	-3.7	1.8	1.5	1.3
Mahakaushal KGB	26.3	29.3	35.1	-2.3	-2.2	-2.8	-3.4	-2.3	-2.9	0.2	0.9	0.7
Manipur Rural Bank	35.2	41.3	42.0	-3.4	-5.6	-3.2	-3.4	-5.6	-3.2	0.5	1.6	1.9
Marudhar KGB	43.8	38.6	34.5	-2.7	-3.9	-3.0	-2.7	-3.9	-3.4	0.1	0.1	0.1
Monghyr KGB	17.7	18.6	21.9	0.1	-1.8	-1.2	-0.2	-1.9	-1.4	2.1	1.3	1.1
Ranchi KGB	27.8	28.0	28.7	-1.2	-1.3	-0.3	-1.6	-1.8	-0.7	2.1	1.2	1.2
Samastipur KGB	28.6	34.5	35.2	-0.4	-0.6	-1.0	-0.6	-0.9	-2.1	2.0	2.3	2.0
Santhal Parganas GB	20.3	20.0	22.5	-0.2	-0.2	-0.7	-0.2	-2.3	-1.0	2.3	2.4	1.6
Vaishali KGB	18.9	22.9	23.9	0.1	-0.9	-1.4	-0.3	-3.0	-3.8	1.2	0.4	1.0
Average	**38.7**	**37.3**	**37.7**	**-1.6**	**-2.6**	**-1.7**	**-2.6**	**-3.8**	**-2.2**	**0.9**	**0.8**	**1.0**

Table 4: Financial ratios of selected profit making RRBs – expenditure indicators

RRBs	Interest expenses as % of total expenditure			Operating expenses as % of total expenditure			Wage bill as % of total expenditure			Wage bill as % of operating expenses		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
Prathama Bank	59.7	60.9	58.8	40.3	39.1	38.6	36.5	36.2	34.4	90.6	92.6	89.0
Gurdaspur Amritsar GB	69.1	69.5	66.1	30.9	30.5	33.9	26.0	21.5	23.0	84.1	70.3	68.0
Aligarh GB	76.2	73.0	64.6	23.8	27.0	30.9	21.3	24.2	24.7	89.7	89.5	80.0
Sree Anantha GB	73.6	72.3	59.5	26.4	27.7	26.9	21.4	21.7	19.1	81.2	78.4	70.9
Jamuna GB	75.7	72.9	64.2	24.3	27.1	25.9	20.0	22.5	21.6	82.3	82.8	83.4
Alwar Bharatpur GB	66.3	68.1	61.0	33.7	31.9	34.8	29.3	26.8	25.3	86.9	83.8	72.7
Gurgaon GB	70.8	67.0	63.6	29.2	33.0	34.9	25.9	28.2	30.7	88.8	85.5	88.0
Shahajahanpur KGB	72.7	70.8	70.4	27.3	29.2	29.6	19.7	22.3	23.1	72.2	76.3	78.1
Bhagirath GB	62.3	61.7	59.0	37.7	38.3	39.5	33.9	34.2	34.9	89.8	89.2	88.3
Kapurthala Firozpur KGB	70.5	70.7	60.7	29.5	29.3	29.9	24.6	23.8	23.3	83.4	81.3	77.9
Faridkot Bhatinda KGB	72.3	67.9	64.0	27.7	32.1	34.0	19.1	22.7	22.9	69.0	70.7	67.5
Shivalik KGB	73.4	74.0	60.9	26.6	26.0	24.9	20.7	19.8	18.5	77.7	76.3	74.5
Bijapur GB	72.0	69.6	69.0	28.0	30.4	30.2	23.8	25.7	25.5	84.8	84.4	84.4
Sarayu GB	72.7	71.9	64.6	27.3	28.1	29.3	21.5	21.9	20.3	78.6	77.9	69.2
Malaprabha GB	63.6	61.9	54.1	36.4	38.1	36.3	30.8	30.4	29.2	84.6	79.8	80.6
Sangameshwar GB	73.7	71.8	64.2	26.3	28.2	31.5	21.9	24.3	23.7	83.5	85.9	75.1
Average	**70.3**	**69.0**	**62.8**	**29.7**	**31.0**	**31.9**	**24.8**	**25.4**	**25.0**	**82.9**	**81.6**	**78.0**

Table 5: Financial performance of loss making RRBs – expenditure indicators

RRBs	Interest expenses as % of total expenditure			Operating expenses as % of total expenditure			Wage bill as % of total expenditure			Wage bill as % of operating expenses		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
Arunachal Pradesh Rural Bank	73.0	64.8	68.9	27.0	35.2	32.1	19.7	29.7	26.4	72.8	84.4	82.3
Balasore Gramya Bank	69.0	59.9	61.7	31.0	40.1	38.3	27.3	36.2	34.1	88.1	90.2	89.0
Bolangir Anchalik GB	66.1	54.5	61.3	33.9	45.5	38.7	30.6	42.8	35.5	90.4	94.1	91.9
Kakathiya GB	75.4	74.6	70.6	24.6	25.4	29.4	17.5	18.3	16.1	70.9	71.9	54.9
Kalahandi Anchalika GB	50.9	63.7	58.0	49.1	36.3	35.6	46.7	33.4	32.2	95.0	91.9	90.5
Koraput Panchabati GB	67.2	59.6	56.6	32.8	40.4	35.2	30.9	39.3	34.6	94.2	97.2	98.4
K.Kisan GB	69.8	60.2	59.9	30.2	39.8	37.0	26.6	36.6	33.0	88.1	91.9	89.1
Madhubani KGB	65.7	55.4	46.8	34.3	44.6	33.2	32.0	42.8	31.7	93.3	95.9	95.5
Mahakaushal KGB	78.2	62.7	61.5	21.8	37.3	37.8	19.5	33.8	28.9	89.6	90.8	76.3
Manipur Rural Bank	56.8	33.9	39.6	43.2	66.1	60.4	38.0	59.7	54.0	88.1	90.3	89.4
Marudhar KGB	67.4	58.2	58.1	32.6	41.8	37.8	26.7	36.4	31.5	81.9	87.0	83.4
Monghyr KGB	72.0	61.3	62.1	28.0	38.7	35.4	26.0	36.9	33.5	93.1	95.2	94.5
Ranchi KGB	60.7	65.0	58.3	39.3	35.0	36.6	36.6	31.8	33.4	93.2	90.9	91.3
Samastipur KGB	68.5	63.0	52.9	31.5	37.0	35.0	27.8	31.9	31.1	88.4	86.2	88.8
Santhal Parganas GB	64.2	62.9	58.7	35.8	37.1	37.2	33.4	34.1	34.1	93.3	91.8	91.5
Vaishali KGB	70.9	70.9	47.3	29.1	29.1	30.0	27.3	27.3	28.3	93.6	93.6	94.2
Average	**67.3**	**60.7**	**57.6**	**32.7**	**39.3**	**36.9**	**29.2**	**35.7**	**32.4**	**88.4**	**90.2**	**87.6**

State - Wise

					in Rs. Lakh	
RRB No	Name of the RRB	Sponsor Bank	Infusion required to have min. 1 crore capital	Capital required as % of loans issued		
				at 3%	at 5%	at 8%
1	CHAITANYA GB	ANDHRA	0.0	0.0	0.0	29.8
2	GODAVARI GB	ANDHRA	0.0	0.0	0.0	0.0
3	GOLCONDA GB	S.B.H	0.0	0.0	0.0	0.0
4	KAKATHIYA GB	S.B.I	2597.7	2901.9	3171.3	3575.4
5	KANAKADUGRA GB	INDIAN	0.0	0.0	0.0	0.0
6	MANJIRA GB	S.B.I	0.0	0.0	0.0	222.1
7	NAGARJUNA GB	S.B.I	892.7	1660.1	2238.4	3105.8
8	PINAKINI GB	SYNDICATE	0.0	0.0	0.0	0.0
9	RAYALSEEMA GB	SYNDICATE	0.0	0.0	0.0	0.0
10	SANGAMESHWRA GB	S.B.I	0.0	0.0	0.0	0.0
11	SHRI SATHAVAHANA GB	S.B.H	0.0	183.9	430.5	800.2
12	SHRI VENKETESHWARA GB	INDIAN	0.0	0.0	0.0	225.5
13	SREE ANANTHA GB	SYNDICATE	0.0	0.0	0.0	0.0
14	SRI SARASWATHI GB	S.B.H	0.0	0.0	0.0	0.0
15	SRI VISAKHA GB	S.B.I	407.7	1534.3	2352.1	3578.7
16	SRIRAMA GB	S.B.H	0.0	0.0	0.0	0.0
ANDHRA PRADESH Total			**3898.1**	**6280.2**	**8192.2**	**11537.6**
17	ARUNACHAL PRADESH RB	S.B.I	3113.7	3113.7	3176.4	3274.0
ARUNACHAL PRADESH Total			**3113.7**	**3113.7**	**3176.4**	**3274.0**
18	CACHAR GB	U.B.I	0.0	0.0	12.3	164.7
19	LAKHIMI GB	U.B.I	565.4	785.4	998.8	1318.8
20	LANGPI DEHANGI RB	S.B.I	1260.8	1260.8	1321.7	1418.3
21	PRAGJYOTISH GB	U.B.I	3435.4	4522.8	5314.4	6501.8
22	SUBANSIRI GB	U.B.I	0.0	0.0	0.0	0.0
ASSAM Total			**5261.7**	**6569.1**	**7647.2**	**9403.5**
23	BEGUSARAI KGB	U.C.O	0.0	0.0	0.0	0.0
24	BHAGALPUR-BANKA KGB	U.C.O	2317.4	2329.7	2404.5	2516.8
25	BHOJPUR ROHTAS GB	P.N.B	0.0	0.0	0.0	0.0
26	CHAMPARAN KGB	C.B.I	10740.6	11159.2	11504.9	12023.6
27	GOPALGANJ KGB	C.B.I	0.0	0.0	0.0	0.0
28	KOSI KSH GB	C.B.I	9935.6	10390.6	10760.5	11315.5
29	MADHUBANI KGB	C.B.I	5604.6	5633.1	5718.8	5847.3
30	MAGADH GB	P.N.B	0.0	0.0	0.0	0.0
31	MITHILA KGB	C.B.I	4976.7	5037.3	5144.3	5304.9
32	MONGHYR KGB	U.C.O	4211.2	4365.7	4535.4	4790.0
33	NALANDA GB	P.N.B	4355.9	4415.2	4521.4	4680.7
34	PATALIPUTRA GB	P.N.B	0.0	0.0	0.0	0.0
35	SAMASTIPUR KGB	S.B.I	3366.7	3502.5	3659.8	3895.6
36	SARAN KGB	C.B.I	5433.0	5520.3	5645.2	5832.6
37	SIWAN KGB	C.B.I	0.0	0.0	0.0	0.0
38	VAISHALI KGB	C.B.I	13577.5	13827.2	14060.3	14410.0
BIHAR Total			**64519.2**	**66180.8**	**67955.2**	**70616.8**

39	BASTAR KGB	S.B.I	4741.4	4830.9	4957.3	5146.8
40	BILASPUR-RAIPUR KGB	S.B.I	1240.5	1508.2	1753.3	2121.0
41	DURG-RAJNANDGAON GB	DENA	0.0	0.0	11.2	265.6
42	RAIGARH KGB	S.B.I	0.0	0.0	0.0	0.0
43	SURGUJA KGB	C.B.I	2424.1	2546.8	2695.2	2917.9
CHHATTISGARH Total			**8406.0**	**8885.9**	**9417.0**	**10451.2**
44	BANASKANTHA-MEHSANA GB	DENA	316.4	513.0	710.7	1007.3
45	JAMNAGAR GRAMIN BK	S.B.S	0.0	0.0	0.0	0.0
46	JUNAGADH-AMRELI GB	S.B.S	0.0	0.0	0.0	0.0
47	KUTCH GB	DENA	0.0	0.0	0.0	0.0
48	PANCHMAHAL GB	B.O.B	587.0	774.4	966.1	1253.6
49	SABARKANTHA-GANDHINAGAR GB	DENA	0.0	0.0	0.0	0.0
50	SURAT-BHARUCH GB	B.O.B	1404.2	1506.8	1641.8	1844.4
51	SURENDRANAGAR-BHAVNAGAR GB	S.B.S	0.0	0.0	0.0	0.0
52	VALSAD-DANGS GB	B.O.B	0.0	0.0	0.0	0.0
GUJARAT Total			**2307.6**	**2794.2**	**3318.7**	**4105.3**
53	AMBALA KURUKSHETRA GB	P.N.B	0.0	0.0	0.0	114.4
54	GURGAON GB	SYNDICATE	0.0	0.0	0.0	0.0
55	HARYANA KGB	P.N.B	0.0	292.9	805.4	1574.2
56	HISSAR-SIRSA KGB	P.N.B	0.0	0.0	0.0	0.0
HARYANA Total			**0.0**	**292.9**	**805.4**	**1688.6**
57	HIMACHAL GB	P.N.B	0.0	0.0	0.0	0.0
58	PARVATIYA GB	S.B.I	0.0	0.0	0.0	0.0
HIMACHAL PRADESH Total			**0.0**	**0.0**	**0.0**	**0.0**
59	ELLAQUI DEHATI BANK	S.B.I	6675.9	6675.9	6732.5	6826.4
60	JAMMU RB	J&K BANK	0.0	0.0	0.0	0.0
61	KAMRAZ RB	J&K BANK	0.0	0.0	0.0	0.0
JAMMU & KASHMIR Total			**6675.9**	**6675.9**	**6732.5**	**6826.4**
62	GIRIDIH KGB	B.O.I	0.0	0.0	0.0	0.0
63	HAZARIBAGH KGB	B.O.I	0.0	0.0	0.0	0.0
64	PALAMAU KGB	S.B.I	4304.9	4398.3	4527.2	4720.7
65	RANCHI KGB	B.O.I	3816.2	3913.8	4045.6	4243.3
66	SANTHAL PARGANAS GB	S.B.I	2640.8	2818.2	3003.1	3280.5
67	SINGHBHUM KGB	B.O.I	1760.0	1868.7	2007.9	2216.7
JHARKHAND Total			**12521.8**	**12999.0**	**13583.9**	**14461.1**
68	BIJAPUR GB	SYNDICATE	0.0	0.0	0.0	0.0
69	CAUVERY GB	S.B.M	0.0	232.6	585.5	1114.9
70	CHICKMAGALUR-KODAGU GB	CORPN	327.6	460.5	615.7	848.6
71	CHITRADURGA GB	CANARA	0.0	0.0	0.0	302.5
72	KALPATHARU GB	S.B.M	0.0	0.0	154.2	640.4
73	KOLAR GB	CANARA	0.0	0.0	0.0	0.0
74	KRISHNA GB	S.B.I	0.0	0.0	128.0	959.0
75	MALAPRABHA GB	SYNDICATE	0.0	0.0	0.0	0.0
76	NETRAVATI GB	SYNDICATE	0.0	0.0	0.0	0.0
77	SAHYADRI GB	CANARA	0.0	0.0	0.0	0.0
78	TUNGABHADRA GB	CANARA	0.0	0.0	0.0	0.0
79	VARADA GB	SYNDICATE	0.0	0.0	0.0	0.0
80	VISVESHWARAYA GB	VIJAYA	0.0	0.0	0.0	0.0

KARNATAKA Total			**327.6**	**693.1**	**1483.5**	**3865.4**
81	NORTH MALABAR GB	SYNDICATE	0.0	0.0	0.0	0.0
82	SOUTH MALABAR GB	CANARA	0.0	0.0	0.0	75.9
KERALA Total			**0.0**	**0.0**	**0.0**	**75.9**
83	BUNDELKHAND KGB	S.B.I	344.5	520.5	704.5	980.5
84	CHAMBAL KGB	C.B.I	882.3	1025.5	1187.6	1430.8
85	CHHINDWARA-SEONI KGB	C.B.I	2483.8	2667.8	2857.1	3141.1
86	DAMOH-PANNA-SAGAR KGB	S.B.I	0.0	0.0	0.0	0.0
87	DEWAS-SHAJAPUR KGB	B.O.I	0.0	0.0	136.2	400.7
88	GWALIOR-DATIA KGB	C.B.I	84.5	138.6	241.3	395.4
89	INDORE-UJJAIN KGB	B.O.I	0.0	0.0	73.2	254.8
90	JHABUA-DHAR KGB	B.O.B	5671.7	5899.1	6117.3	6444.7
91	KGB HOSHANGABAD	C.B.I	839.6	1273.9	1630.1	2164.4
92	MAHAKAUSHAL KGB	U.C.O	3454.3	3471.9	3550.3	3668.0
93	MANDLA-BALAGHAT KGB	C.B.I	599.3	717.3	862.6	1080.6
94	NIMAR KGB	B.O.I	986.1	1190.5	1393.5	1697.9
95	RAJGARH-SEHORE KGB	B.O.I	653.2	855.9	1057.7	1360.4
96	RATLAM-MANDSAUR KGB	C.B.I	0.0	0.0	0.0	71.8
97	REWA-SIDHI GB	UNION	0.0	0.0	0.0	0.0
98	SHAHDOL KGB	C.B.I	3149.3	3215.2	3325.9	3491.8
99	SHARDA GB	ALLAHABAD	0.0	0.0	113.3	326.0
100	SHIVPURI-GUNA KGB	S.B.I	674.6	880.1	1083.8	1389.4
101	VIDISHA-BHOPAL KGB	S.B.IND	0.0	0.0	0.0	0.0
MADHYA PRADESH Total			**19823.3**	**21856.4**	**24334.6**	**28298.3**
102	AKOLA GB	C.B.I	1392.9	1481.2	1606.8	1795.1
103	AURANGABAD-JALNA GB	B.O.M	1101.1	1406.8	1677.2	2082.9
104	BHANDARA GB	B.O.I	533.7	631.9	764.0	962.2
105	BULDHANA GB	C.B.I	0.0	0.0	0.0	0.0
106	CHANDRAPUR-GADCHIROLI GB	B.O.I	1182.9	1300.3	1445.3	1662.7
107	MARATHWWADA GB	B.O.M	8353.2	8848.9	9246.1	9841.8
108	RATNAGIRI-SINDHUDURG GB	B.O.I	195.7	298.5	433.7	636.5
109	SOLAPUR GB	B.O.I	337.8	384.2	481.8	628.3
110	THANE GB	B.O.M	0.0	0.0	0.0	0.0
111	YAVATMAL GB	C.B.I	0.0	0.0	0.0	0.0
MAHARASHTRA Total			**13097.1**	**14351.8**	**15654.9**	**17609.5**
112	MANIPUR RB	U.B.I	956.8	956.8	956.8	988.7
MANIPUR Total			**956.8**	**956.8**	**956.8**	**988.7**
113	KHASI JAINTIA RURAL KA BK	S.B.I	0.0	0.0	0.0	0.0
MEGHALAYA Total			**0.0**	**0.0**	**0.0**	**0.0**
114	MIZORAM RB	S.B.I	475.2	526.0	626.5	777.3
MIZORAM Total			**475.2**	**526.0**	**626.5**	**777.3**
115	NAGALAND RB	S.B.I	62.0	62.0	62.0	62.0
NAGALAND Total			**62.0**	**62.0**	**62.0**	**62.0**
116	BAITARANI GB	B.O.I	1732.7	2246.1	2655.0	3268.4
117	BALASORE GB	U.C.O	10384.2	10426.1	10520.7	10662.6
118	BOLANGIR AGB	S.B.I	14833.8	15391.4	15829.8	16487.4
119	CUTTACK GB	U.C.O	9110.3	9957.3	10588.6	11535.6
120	DHENKANAL GB	I.O.B	0.0	0.0	0.0	242.3
121	KALAHANDI AGB	S.B.I	3075.7	3300.1	3516.4	3840.8

122	KORAPUT PANCHABATI GB	S.B.I	4283.4	4607.5	4890.2	5314.3
123	PURI GB	I.O.B	6172.6	7058.7	7716.1	8702.1
124	RUSHIKULYA GB	ANDHRA	0.0	0.0	0.0	0.0
ORISSA Total			**49592.8**	**52987.2**	**55716.8**	**60053.6**
125	FARIDKOT-BHATINDA KGB	P&S BK	0.0	0.0	0.0	0.0
126	GURDASPUR-AMRITSAR KGB	P.N.B	0.0	0.0	0.0	0.0
127	KAPURTHALA-FEROZPUR KGB	P.N.B	0.0	0.0	0.0	0.0
128	MALWA GB	S.B.P	0.0	0.0	0.0	0.0
129	SHIVALIK KGB	P.N.B	0.0	0.0	0.0	0.0
PUNJAB Total			**0.0**	**0.0**	**0.0**	**0.0**
130	ALWAR-BHARATPUR AGB	P.N.B	0.0	0.0	0.0	0.0
131	ARAVALI KGB	B.O.B	3125.5	3310.3	3500.2	3785.1
132	BHILWARA-AJMER KGB	B.O.B	0.0	0.0	0.0	0.0
133	BIKANER KGB	S.B.B.J	395.0	395.0	436.5	521.5
134	BUNDI-CHITTORGARH KGB	B.O.B	105.2	311.8	516.2	822.8
135	DUNGARPUR-BANSWARA KGB	B.O.B	650.6	685.8	776.0	911.2
136	HADOTI KGB	C.B.I	2362.6	2720.1	3025.0	3482.5
137	JAIPUR NAGAUR AGB	U.C.O	0.0	0.0	0.0	3.6
138	MARUDHAR KGB	B.O.B	4999.2	5061.9	5170.4	5333.0
139	MARWAR GB	S.B.B.J	0.0	0.0	0.0	274.8
140	MEWAR AGB	B.O.RAJ.	869.2	953.1	1075.6	1259.5
141	SHEKHAWATI GB	P.N.B	0.0	0.0	0.0	0.0
142	SRIGANGANAGAR KGB	S.B.B.J	0.0	0.0	79.1	373.7
143	THAR AGB	U.C.O	678.0	879.6	1080.7	1382.4
RAJASTHAN Total			**13185.4**	**14317.6**	**15659.8**	**18150.0**
144	ADHIYAMAN GB	INDIAN	0.0	0.0	0.0	0.0
145	PANDYAN GB	I.O.B	0.0	0.0	5.8	1644.7
146	VALLALAR GB	INDIAN	0.0	0.0	0.0	0.0
TAMILNADU Total			**0.0**	**0.0**	**5.8**	**1644.7**
147	TRIPURA GB	U.B.I	10763.7	11304.8	11732.2	12373.3
TRIPURA Total			**10763.7**	**11304.8**	**11732.2**	**12373.3**
148	ALIGARH KGB	CANARA	0.0	0.0	0.0	0.0
149	ALLAHABAD KGB	B.O.B	5315.4	5545.8	5766.1	6096.5
150	AVADH GB	B.O.I	0.0	0.0	0.0	0.0
151	BALLIA KGB	C.B.I	0.0	0.0	0.0	0.0
152	BARABANKI GB	B.O.I	0.0	0.0	0.0	0.0
153	BAREILLY KGB	B.O.B	0.0	0.0	0.0	0.0
154	BASTI GB	S.B.I	0.0	0.0	0.0	0.0
155	BHAGIRATH GB	ALLAHABAD	0.0	0.0	0.0	0.0
156	CHHATRASAL GB	ALLAHABAD	0.0	0.0	80.1	483.7
157	DEVI PATAN KGB	P.N.B	0.0	0.0	0.0	0.0
158	ETAH GB	CANARA	0.0	0.0	0.0	264.1
159	ETAWAH KGB	C.B.I	289.8	347.3	452.3	609.8
160	FAIZABAD KGB	B.O.B	0.0	0.0	0.0	0.0
161	FARRUKHABAD GB	B.O.I	0.0	0.0	0.0	0.0
162	FATEHPUR KGB	B.O.B	0.0	0.0	0.0	125.2
163	GOMTI GB	UNION	0.0	0.0	0.0	0.0
164	GORAKHPUR KGB	S.B.I	0.0	0.0	0.0	0.0
165	HINDON GB	P.N.B	0.0	0.0	0.0	0.0

166	JAMUNA GB	CANARA	0.0	0.0	0.0	0.0
167	KANPUR KGB	B.O.B	0.0	0.0	0.0	230.5
168	KASHI GB	UNION	0.0	0.0	116.3	582.4
169	KISAN GB	P.N.B	0.0	0.0	0.0	0.0
170	KSHETRIYA KISAN GB	U.P.S.C.B	4391.2	4586.0	4782.5	5077.3
171	MUZAFFARNAGAR KGB	P.N.B	0.0	0.0	0.0	0.0
172	PRATAPGARH KGB	B.O.B	399.4	538.3	697.6	936.6
173	PRATHAMA BANK	SYNDICATE	0.0	0.0	0.0	0.0
174	RAEBARELI KGB	B.O.B	0.0	0.0	0.0	0.0
175	RANI LAKSHMI BAI KGB	P.N.B	3792.8	3862.0	3974.8	4144.0
176	SAMYUT KGB	UNION	0.0	0.0	0.0	0.0
177	SARAYU GB	ALLAHABAD	0.0	0.0	0.0	0.0
178	SHAHJAHANPUR KGB	B.O.B	0.0	0.0	0.0	0.0
179	SRAVASTI GB	ALLAHABAD	0.0	0.0	0.0	0.0
180	SULTANPUR KGB	B.O.B	1376.5	1749.7	2065.2	2538.4
181	TULSI GB	ALLAHABAD	1106.1	1528.9	1877.4	2400.2
182	VIDUR GB	P.N.B	0.0	0.0	0.0	0.0
183	VINDHYAVASINI GB	ALLAHABAD	1578.1	1734.9	1906.0	2162.8
UTTAR PRADESH Total			**18249.2**	**19892.8**	**21718.3**	**25651.4**
184	ALAKNANDA GB	S.B.I	0.0	0.0	0.0	0.0
185	GANGA-YAMUNA GB	S.B.I	541.0	541.0	595.6	688.4
186	NAINITAL-ALMORA KGB	B.O.B	0.0	0.0	0.0	0.0
187	PITHORAGARH KGB	S.B.I	0.0	0.0	0.0	0.0
UTTARANCHAL Total			**541.0**	**541.0**	**595.6**	**688.4**
188	BARDHAMAN GB	U.C.O	26.3	391.0	700.7	1165.4
189	GAUR GB	U.B.I	11089.8	11940.7	12574.6	13525.5
190	HOWRAH GB	U.C.O	0.0	0.0	0.0	0.0
191	MALLABHUM GB	U.B.I	3502.8	4347.1	4976.6	5920.9
192	MAYURAKSHI GB	U.C.O	4077.6	4567.7	4961.1	5551.3
193	MURSHIDABAD GB	U.B.I	468.6	515.0	612.6	759.0
194	NADIA GB	U.B.I	1003.3	1126.9	1276.0	1499.7
195	SAGAR GB	U.B.I	1021.6	1324.0	1592.2	1994.6
196	UTTAR BANGA KGB	C.B.I	7903.2	8472.0	8917.9	9586.7
WEST BENGAL Total			**29093.2**	**32684.4**	**35611.9**	**40003.1**
Grand Total			**262871.0**	**283966**	**304987**	**342606.3**

Sponsor-wise

In Rs. Lakh

				Total capital infusion required		
RRB No	Name of the RRB	State	Infusion required to have min. 1 crore capital	at 3%	at 5%	at 8%
1	BHAGIRATH GB	UTTAR PRADESH	0.0	0.0	0.0	0.0
2	CHHATRASAL GB	UTTAR PRADESH	0.0	0.0	80.1	483.7
3	SARAYU GB	UTTAR PRADESH	0.0	0.0	0.0	0.0
4	SHARDA GB	MADHYA PRADESH	0.0	0.0	113.3	326.0
5	SRAVASTI GB	UTTAR PRADESH	0.0	0.0	0.0	0.0
6	TULSI GB	UTTAR PRADESH	1106.1	1528.9	1877.4	2400.2
7	VINDHYAVASINI GB	UTTAR PRADESH	1578.1	1734.9	1906.0	2162.8
ALLAHABAD Total			**2684.2**	**3263.7**	**3976.9**	**5372.7**
8	CHAITANYA GB	ANDHRA PRADESH	0.0	0.0	0.0	29.8
9	GODAVARI GB	ANDHRA PRADESH	0.0	0.0	0.0	0.0
10	RUSHIKULYA GB	ORISSA	0.0	0.0	0.0	0.0
ANDHRA Total			**0.0**	**0.0**	**0.0**	**29.8**
11	ALLAHABAD KGB	UTTAR PRADESH	5315.4	5545.8	5766.1	6096.5
12	ARAVALI KGB	RAJASTHAN	3125.5	3310.3	3500.2	3785.1
13	BAREILLY KGB	UTTAR PRADESH	0.0	0.0	0.0	0.0
14	BHILWARA-AJMER KGB	RAJASTHAN	0.0	0.0	0.0	0.0
15	BUNDI-CHITTORGARH KGB	RAJASTHAN	105.2	311.8	516.2	822.8
16	DUNGARPUR-BANSWARA KGB	RAJASTHAN	650.6	685.8	776.0	911.2
17	FAIZABAD KGB	UTTAR PRADESH	0.0	0.0	0.0	0.0
18	FATEHPUR KGB	UTTAR PRADESH	0.0	0.0	0.0	125.2
19	JHABUA-DHAR KGB	MADHYA PRADESH	5671.7	5899.1	6117.3	6444.7
20	KANPUR KGB	UTTAR PRADESH	0.0	0.0	0.0	230.5
21	MARUDHAR KGB	RAJASTHAN	4999.2	5061.9	5170.4	5333.0
22	NAINITAL-ALMORA KGB	UTTARANCHAL	0.0	0.0	0.0	0.0
23	PANCHMAHAL GB	GUJARAT	587.0	774.4	966.1	1253.6
24	PRATAPGARH KGB	UTTAR PRADESH	399.4	538.3	697.6	936.6
25	RAEBARELI KGB	UTTAR PRADESH	0.0	0.0	0.0	0.0
26	SHAHJAHANPUR KGB	UTTAR PRADESH	0.0	0.0	0.0	0.0
27	SULTANPUR KGB	UTTAR PRADESH	1376.5	1749.7	2065.2	2538.4
28	SURAT-BHARUCH GB	GUJARAT	1404.2	1506.8	1641.8	1844.4
29	VALSAD-DANGS GB	GUJARAT	0.0	0.0	0.0	0.0
B.O.B Total			**23634.6**	**25384.0**	**27216.9**	**30322.0**
30	AVADH GB	UTTAR PRADESH	0.0	0.0	0.0	0.0
31	BAITARANI GB	ORISSA	1732.7	2246.1	2655.0	3268.4
32	BARABANKI GB	UTTAR PRADESH	0.0	0.0	0.0	0.0
33	BHANDARA GB	MAHARASHTRA	533.7	631.9	764.0	962.2
34	CHANDRAPUR-GADCHIROLI GB	MAHARASHTRA	1182.9	1300.3	1445.3	1662.7
35	DEWAS-SHAJAPUR KGB	MADHYA PRADESH	0.0	0.0	136.2	400.7
36	FARRUKHABAD GB	UTTAR PRADESH	0.0	0.0	0.0	0.0

37	GIRIDIH KGB	JHARKHAND	0.0	0.0	0.0	0.0
38	HAZARIBAGH KGB	JHARKHAND	0.0	0.0	0.0	0.0
39	INDORE-UJJAIN KGB	MADHYA PRADESH	0.0	0.0	73.2	254.8
40	NIMAR KGB	MADHYA PRADESH	986.1	1190.5	1393.5	1697.9
41	RAJGARH-SEHORE KGB	MADHYA PRADESH	653.2	855.9	1057.7	1360.4
42	RANCHI KGB	JHARKHAND	3816.2	3913.8	4045.6	4243.3
43	RATNAGIRI-SINDHUDURG GB	MAHARASHTRA	195.7	298.5	433.7	636.5
44	SINGHBHUM KGB	JHARKHAND	1760.0	1868.7	2007.9	2216.7
45	SOLAPUR GB	MAHARASHTRA	337.8	384.2	481.8	628.3
B.O.I Total			**11198.1**	**12689.9**	**14493.9**	**17331.7**
46	AURANGABAD-JALNA GB	MAHARASHTRA	1101.1	1406.8	1677.2	2082.9
47	MARATHWWADA GB	MAHARASHTRA	8353.2	8848.9	9246.1	9841.8
48	THANE GB	MAHARASHTRA	0.0	0.0	0.0	0.0
B.O.M Total			**9454.3**	**10255.7**	**10923.3**	**11924.7**
49	MEWAR AGB	RAJASTHAN	869.2	953.1	1075.6	1259.5
B.O.RAJ. Total			**869.2**	**953.1**	**1075.6**	**1259.5**
50	AKOLA GB	MAHARASHTRA	1392.9	1481.2	1606.8	1795.1
51	BALLIA KGB	UTTAR PRADESH	0.0	0.0	0.0	0.0
52	BULDHANA GB	MAHARASHTRA	0.0	0.0	0.0	0.0
53	CHAMBAL KGB	MADHYA PRADESH	882.3	1025.5	1187.6	1430.8
54	CHAMPARAN KGB	BIHAR	10740.6	11159.2	11504.9	12023.6
55	CHHINDWARA-SEONI KGB	MADHYA PRADESH	2483.8	2667.8	2857.1	3141.1
56	ETAWAH KGB	UTTAR PRADESH	289.8	347.3	452.3	609.8
57	GOPALGANJ KGB	BIHAR	0.0	0.0	0.0	0.0
58	GWALIOR-DATIA KGB	MADHYA PRADESH	84.5	138.6	241.3	395.4
59	HADOTI KGB	RAJASTHAN	2362.6	2720.1	3025.0	3482.5
60	KGB HOSHANGABAD	MADHYA PRADESH	839.6	1273.9	1630.1	2164.4
61	KOSI KSH GB	BIHAR	9935.6	10390.6	10760.5	11315.5
62	MADHUBANI KGB	BIHAR	5604.6	5633.1	5718.8	5847.3
63	MANDLA-BALAGHAT KGB	MADHYA PRADESH	599.3	717.3	862.6	1080.6
64	MITHILA KGB	BIHAR	4976.7	5037.3	5144.3	5304.9
65	RATLAM-MANDSAUR KGB	MADHYA PRADESH	0.0	0.0	0.0	71.8
66	SARAN KGB	BIHAR	5433.0	5520.3	5645.2	5832.6
67	SHAHDOL KGB	MADHYA PRADESH	3149.3	3215.2	3325.9	3491.8
68	SIWAN KGB	BIHAR	0.0	0.0	0.0	0.0
69	SURGUJA KGB	CHHATTISGARH	2424.1	2546.8	2695.2	2917.9
70	UTTAR BANGA KGB	WEST BENGAL	7903.2	8472.0	8917.9	9586.7
71	VAISHALI KGB	BIHAR	13577.5	13827.2	14060.3	14410.0
72	YAVATMAL GB	MAHARASHTRA	0.0	0.0	0.0	0.0
C.B.I Total			**72679.5**	**76173.4**	**79636.0**	**84901.8**
73	ALIGARH KGB	UTTAR PRADESH	0.0	0.0	0.0	0.0
74	CHITRADURGA GB	KARNATAKA	0.0	0.0	0.0	302.5
75	ETAH GB	UTTAR PRADESH	0.0	0.0	0.0	264.1
76	JAMUNA GB	UTTAR PRADESH	0.0	0.0	0.0	0.0
77	KOLAR GB	KARNATAKA	0.0	0.0	0.0	0.0
78	SAHYADRI GB	KARNATAKA	0.0	0.0	0.0	0.0
79	SOUTH MALABAR GB	KERALA	0.0	0.0	0.0	75.9
80	TUNGABHADRA GB	KARNATAKA	0.0	0.0	0.0	0.0

CANARA Total			**0.0**	**0.0**	**0.0**	**642.5**
81	CHICKMAGALUR-KODAGU GB	KARNATAKA	327.6	460.5	615.7	848.6
CORPN Total			**327.6**	**460.5**	**615.7**	**848.6**
82	BANASKANTHA-MEHSANA GB	GUJARAT	316.4	513.0	710.7	1007.3
83	DURG-RAJNANDGAON GB	CHHATTISGARH	0.0	0.0	11.2	265.6
84	KUTCH GB	GUJARAT	0.0	0.0	0.0	0.0
85	SABARKANTHA-GANDHINAGAR GB	GUJARAT	0.0	0.0	0.0	0.0
DENA Total			**316.4**	**513.0**	**721.9**	**1272.9**
86	DHENKANAL GB	ORISSA	0.0	0.0	0.0	242.3
87	PANDYAN GB	TAMILNADU	0.0	0.0	5.8	1644.7
88	PURI GB	ORISSA	6172.6	7058.7	7716.1	8702.1
I.O.B Total			**6172.6**	**7058.7**	**7721.8**	**10589.2**
89	ADHIYAMAN GB	TAMILNADU	0.0	0.0	0.0	0.0
90	KANAKADUGRA GB	ANDHRA PRADESH	0.0	0.0	0.0	0.0
91	SHRI VENKETESHWARA GB	ANDHRA PRADESH	0.0	0.0	0.0	225.5
92	VALLALAR GB	TAMILNADU	0.0	0.0	0.0	0.0
INDIAN Total			**0.0**	**0.0**	**0.0**	**225.5**
93	JAMMU RB	JAMMU & KASHMIR	0.0	0.0	0.0	0.0
94	KAMRAZ RB	JAMMU & KASHMIR	0.0	0.0	0.0	0.0
J&K BANK Total			**0.0**	**0.0**	**0.0**	**0.0**
95	FARIDKOT-BHATINDA KGB	PUNJAB	0.0	0.0	0.0	0.0
P&S BK Total			**0.0**	**0.0**	**0.0**	**0.0**
96	ALWAR-BHARATPUR AGB	RAJASTHAN	0.0	0.0	0.0	0.0
97	AMBALA KURUKSHETRA GB	HARYANA	0.0	0.0	0.0	114.4
98	BHOJPUR ROHTAS GB	BIHAR	0.0	0.0	0.0	0.0
99	DEVI PATAN KGB	UTTAR PRADESH	0.0	0.0	0.0	0.0
100	GURDASPUR-AMRITSAR KGB	PUNJAB	0.0	0.0	0.0	0.0
101	HARYANA KGB	HARYANA	0.0	292.9	805.4	1574.2
102	HIMACHAL GB	HIMACHAL PRADESH	0.0	0.0	0.0	0.0
103	HINDON GB	UTTAR PRADESH	0.0	0.0	0.0	0.0
104	HISSAR-SIRSA KGB	HARYANA	0.0	0.0	0.0	0.0
105	KAPURTHALA-FEROZPUR KGB	PUNJAB	0.0	0.0	0.0	0.0
106	KISAN GB	UTTAR PRADESH	0.0	0.0	0.0	0.0
107	MAGADH GB	BIHAR	0.0	0.0	0.0	0.0
108	MUZAFFARNAGAR KGB	UTTAR PRADESH	0.0	0.0	0.0	0.0
109	NALANDA GB	BIHAR	4355.9	4415.2	4521.4	4680.7
110	PATALIPUTRA GB	BIHAR	0.0	0.0	0.0	0.0
111	RANI LAKSHMI BAI KGB	UTTAR PRADESH	3792.8	3862.0	3974.8	4144.0
112	SHEKHAWATI GB	RAJASTHAN	0.0	0.0	0.0	0.0
113	SHIVALIK KGB	PUNJAB	0.0	0.0	0.0	0.0
114	VIDUR GB	UTTAR PRADESH	0.0	0.0	0.0	0.0
P.N.B Total			**8148.6**	**8570.1**	**9301.6**	**10513.3**
115	BIKANER KGB	RAJASTHAN	395.0	395.0	436.5	521.5
116	MARWAR GB	RAJASTHAN	0.0	0.0	0.0	274.8
117	SRIGANGANAGAR KGB	RAJASTHAN	0.0	0.0	79.1	373.7

S.B.B.J Total			**395.0**	**395.0**	**515.7**	**1170.0**
118	GOLCONDA GB	ANDHRA PRADESH	0.0	0.0	0.0	0.0
119	SHRI SATHAVAHANA GB	ANDHRA PRADESH	0.0	183.9	430.5	800.2
120	SRI SARASWATHI GB	ANDHRA PRADESH	0.0	0.0	0.0	0.0
121	SRIRAMA GB	ANDHRA PRADESH	0.0	0.0	0.0	0.0
S.B.H Total			**0.0**	**183.9**	**430.5**	**800.2**
122	ALAKNANDA GB	UTTARANCHAL	0.0	0.0	0.0	0.0
123	ARUNACHAL PRADESH RB	ARUNACHAL PRADESH	3113.7	3113.7	3176.4	3274.0
124	BASTAR KGB	CHHATTISGARH	4741.4	4830.9	4957.3	5146.8
125	BASTI GB	UTTAR PRADESH	0.0	0.0	0.0	0.0
126	BILASPUR-RAIPUR KGB	CHHATTISGARH	1240.5	1508.2	1753.3	2121.0
127	BOLANGIR AGB	ORISSA	14833.8	15391.4	15829.8	16487.4
128	BUNDELKHAND KGB	MADHYA PRADESH	344.5	520.5	704.5	980.5
129	DAMOH-PANNA-SAGAR KGB	MADHYA PRADESH	0.0	0.0	0.0	0.0
130	ELLAQUI DEHATI BANK	JAMMU & KASHMIR	6675.9	6675.9	6732.5	6826.4
131	GANGA-YAMUNA GB	UTTARANCHAL	541.0	541.0	595.6	688.4
132	GORAKHPUR KGB	UTTAR PRADESH	0.0	0.0	0.0	0.0
133	KAKATHIYA GB	ANDHRA PRADESH	2597.7	2901.9	3171.3	3575.4
134	KALAHANDI AGB	ORISSA	3075.7	3300.1	3516.4	3840.8
135	KHASI JAINTIA RURAL KA BK	MEGHALAYA	0.0	0.0	0.0	0.0
136	KORAPUT PANCHABATI GB	ORISSA	4283.4	4607.5	4890.2	5314.3
137	KRISHNA GB	KARNATAKA	0.0	0.0	128.0	959.0
138	LANGPI DEHANGI RB	ASSAM	1260.8	1260.8	1321.7	1418.3
139	MANJIRA GB	ANDHRA PRADESH	0.0	0.0	0.0	222.1
140	MIZORAM RB	MIZORAM	475.2	526.0	626.5	777.3
141	NAGALAND RB	NAGALAND	62.0	62.0	62.0	62.0
142	NAGARJUNA GB	ANDHRA PRADESH	892.7	1660.1	2238.4	3105.8
143	PALAMAU KGB	JHARKHAND	4304.9	4398.3	4527.2	4720.7
144	PARVATIYA GB	HIMACHAL PRADESH	0.0	0.0	0.0	0.0
145	PITHORAGARH KGB	UTTARANCHAL	0.0	0.0	0.0	0.0
146	RAIGARH KGB	CHHATTISGARH	0.0	0.0	0.0	0.0
147	SAMASTIPUR KGB	BIHAR	3366.7	3502.5	3659.8	3895.6
148	SANGAMESHWRA GB	ANDHRA PRADESH	0.0	0.0	0.0	0.0
149	SANTHAL PARGANAS GB	JHARKHAND	2640.8	2818.2	3003.1	3280.5
150	SHIVPURI-GUNA KGB	MADHYA PRADESH	674.6	880.1	1083.8	1389.4
151	SRI VISAKHA GB	ANDHRA PRADESH	407.7	1534.3	2352.1	3578.7
S.B.I Total			**55533.0**	**60033.4**	**64329.9**	**71664.4**
152	VIDISHA-BHOPAL KGB	MADHYA PRADESH	0.0	0.0	0.0	0.0
S.B.IND Total			**0.0**	**0.0**	**0.0**	**0.0**
153	CAUVERY GB	KARNATAKA	0.0	232.6	585.5	1114.9
154	KALPATHARU GB	KARNATAKA	0.0	0.0	154.2	640.4
S.B.M Total			**0.0**	**232.6**	**739.7**	**1755.3**
155	MALWA GB	PUNJAB	0.0	0.0	0.0	0.0
S.B.P Total			**0.0**	**0.0**	**0.0**	**0.0**
156	JAMNAGAR GRAMIN BK	GUJARAT	0.0	0.0	0.0	0.0
157	JUNAGADH-AMRELI GB	GUJARAT	0.0	0.0	0.0	0.0

158	SURENDRANAGAR-BHAVNAGAR GB	GUJARAT	0.0	0.0	0.0	0.0
S.B.S Total			**0.0**	**0.0**	**0.0**	**0.0**
159	BIJAPUR GB	KARNATAKA	0.0	0.0	0.0	0.0
160	GURGAON GB	HARYANA	0.0	0.0	0.0	0.0
161	MALAPRABHA GB	KARNATAKA	0.0	0.0	0.0	0.0
162	NETRAVATI GB	KARNATAKA	0.0	0.0	0.0	0.0
163	NORTH MALABAR GB	KERALA	0.0	0.0	0.0	0.0
164	PINAKINI GB	ANDHRA PRADESH	0.0	0.0	0.0	0.0
165	PRATHAMA BANK	UTTAR PRADESH	0.0	0.0	0.0	0.0
166	RAYALSEEMA GB	ANDHRA PRADESH	0.0	0.0	0.0	0.0
167	SREE ANANTHA GB	ANDHRA PRADESH	0.0	0.0	0.0	0.0
168	VARADA GB	KARNATAKA	0.0	0.0	0.0	0.0
SYNDICATE Total			**0.0**	**0.0**	**0.0**	**0.0**
169	CACHAR GB	ASSAM	0.0	0.0	12.3	164.7
170	GAUR GB	WEST BENGAL	11089.8	11940.7	12574.6	13525.5
171	LAKHIMI GB	ASSAM	565.4	785.4	998.8	1318.8
172	MALLABHUM GB	WEST BENGAL	3502.8	4347.1	4976.6	5920.9
173	MANIPUR RB	MANIPUR	956.8	956.8	956.8	988.7
174	MURSHIDABAD GB	WEST BENGAL	468.6	515.0	612.6	759.0
175	NADIA GB	WEST BENGAL	1003.3	1126.9	1276.0	1499.7
176	PRAGJYOTISH GB	ASSAM	3435.4	4522.8	5314.4	6501.8
177	SAGAR GB	WEST BENGAL	1021.6	1324.0	1592.2	1994.6
178	SUBANSIRI GB	ASSAM	0.0	0.0	0.0	0.0
179	TRIPURA GB	TRIPURA	10763.7	11304.8	11732.2	12373.3
U.B.I Total			**32807.4**	**36823.6**	**40046.7**	**45047.1**
180	BALASORE GB	ORISSA	10384.2	10426.1	10520.7	10662.6
181	BARDHAMAN GB	WEST BENGAL	26.3	391.0	700.7	1165.4
182	BEGUSARAI KGB	BIHAR	0.0	0.0	0.0	0.0
183	BHAGALPUR-BANKA KGB	BIHAR	2317.4	2329.7	2404.5	2516.8
184	CUTTACK GB	ORISSA	9110.3	9957.3	10588.6	11535.6
185	HOWRAH GB	WEST BENGAL	0.0	0.0	0.0	0.0
186	JAIPUR NAGAUR AGB	RAJASTHAN	0.0	0.0	0.0	3.6
187	MAHAKAUSHAL KGB	MADHYA PRADESH	3454.3	3471.9	3550.3	3668.0
188	MAYURAKSHI GB	WEST BENGAL	4077.6	4567.7	4961.1	5551.3
189	MONGHYR KGB	BIHAR	4211.2	4365.7	4535.4	4790.0
190	THAR AGB	RAJASTHAN	678.0	879.6	1080.7	1382.4
U.C.O Total			**34259.3**	**36389.0**	**38342.2**	**41275.5**
191	KSHETRIYA KISAN GB	UTTAR PRADESH	4391.2	4586.0	4782.5	5077.3
U.P.S.C.B Total			**4391.2**	**4586.0**	**4782.5**	**5077.3**
192	GOMTI GB	UTTAR PRADESH	0.0	0.0	0.0	0.0
193	KASHI GB	UTTAR PRADESH	0.0	0.0	116.3	582.4
194	REWA-SIDHI GB	MADHYA PRADESH	0.0	0.0	0.0	0.0
195	SAMYUT KGB	UTTAR PRADESH	0.0	0.0	0.0	0.0
UNION Total			**0.0**	**0.0**	**116.3**	**582.4**
196	VISVESHWARAYA GB	KARNATAKA	0.0	0.0	0.0	0.0
VIJAYA Total			**0.0**	**0.0**	**0.0**	**0.0**
Grand Total			**262871.0**	**283965.6**	**304987.2**	**342606.3**

Annexure IV

Repositioning of Regional Rural Banks in the Credit Delivery System in India: Issues and Options

Considering the role and importance of agriculture in Indian's overall economic development in terms of income and employment generation and poverty alleviation, great significance has been placed on developing appropriate institutions and mechanisms to cater to the credit requirements of the rural sector. Setting up of Regional Rural Banks (RRBs) in the mid- seventies was a major initiative in this direction. The RRBs are specialized rural financial institutions for developing the rural economy by catering to the credit requirements of small and marginal farmers, agricultural labourers, artisans and small entrepreneurs. Besides the RRBs, commercial and co-operative banks have been catering to the credit requirements of the rural sector. While the commercial banks with focus on profitability had certain limitations in accelerating agricultural credit, the cooperative sectors efforts were also hampered by several financial weaknesses; the conditions of cooperatives are particularly alarming in many states resulting in a vacuum of financial services, multiple layers and political interference. The recent focus of the Government of India on doubling the flow of credit to the agricultural sector has warranted a relook at the relative roles of co-operative banks, RRBs and commercial banks. Though over the years the RRBs have been able to expand their outreach and business and meet the credit requirements of the poor, several weaknesses emerged in their functioning, eroding their profitability and viability. Several Working Groups in the past have reviewed the working of RRBs and have made significant recommendations and many initiatives were also taken, particularly since mid-nineties, to improve the performance of RRBs, which however, have met with limited success. In the context of the great emphasis by the Government on agricultural and rural development, there is a need to examine if the RRBs are to be repositioned in the credit delivery mechanism. As the very objective of setting up RRBs was to extend adequate credit to the rural borrowers, particularly the economically weaker sections, as it had rural feel and character and was staffed by people mostly from the rural areas, RRBs could be used as an effective instrument for credit delivery in rural areas.

2. It is by now well recognized that a broad-based rural development strategy is the key to poverty reduction, employment and income generation, and increasing access of the rural poor to financial services. In this context, the need has emerged to evolve a

systemic response to address the issues and weakness of RFIs for reviving the rural economy through investments in agriculture and rural enterprises for promoting economic growth. One of the critical elements in this regard is to devise ways and means to improve the health and viability of RRBs so as to reposition them in the credit delivery mechanism in India. Against this background, the paper attempts to review the performance of RRBs, highlight their problems and weaknesses and suggest alternatives for restructuring and reviving them. While Section I discusses the trends in outreach and overall performance of RRBs, Section II analyses the factors responsible for the weak financial health of RRBs. Section III sets out the road map and contains few suggestions for improving the functioning of RRBs.

Section I : **Overview of Performance of RRBs**

3. The RRBs have a special place in the multi-agency approach adopted to provide agricultural and rural credit in India. These banks are state-sponsored, regionally based and rural-oriented. The RRBs were established in 1975 with the mandate to develop the rural economy by providing credit and other facilities for the development of agriculture, trade, commerce, industry and other productive activities in the rural areas, particularly to small and marginal farmers, agricultural labourers, artisans and small entrepreneurs.

4. RRBs have played a key role in rural institutional financing in terms of geographical coverage, clientele outreach, business volume as also contribution to development of the rural economy.

Expansion of Branch Network

5. A remarkable feature of RRBs performance over the past three decades has been the massive expansion of its retail network in rural areas. From a modest beginning of 6 RRBs with 17 branches covering 12 districts in December 1975, today, there are 196 RRBs with 14,446 branches working in 518 districts across the country (Statement). RRBs have a large branch network in the rural area forming around 43 per cent of the total rural branches of commercial banks. The rural orientation of RRBs is evident from the fact that their rural and semi-urban branches constituted over 97 per cent of their branch network.

6. The physical expansion of RRBs has been accompanied by a considerable increase in human resources. The large staff strength (70,294 in March 2000) has enabled

RRBs to serve a larger number of clientele. It has, however, declined continuously there after and stood at 69,249 in March 2004.

Deposits

7. In line with the objective of mobilising rural savings and channelising it for productive purposes, there has been a substantial increase in the volume of business of RRBs – their deposits and credit have increased manifold. Aggregate deposits of RRBs increased from Rs.0.20 crore in December 1975 to Rs.4,151 crore in March 1990 and further to Rs.56,350 crore by March 2004, owing mainly to their geographical spread and opening of new branches in unbanked areas.

8. Around 46 percent of RRBs deposits in March 2004 were generated though various types of savings products, while fixed deposits accounted for less than 50 per cent and current deposits about 5 per cent.

Advances Portfolio

9. Though the RRBs were originally conceived to develop the rural economy by providing credit to rural poor with small means, in keeping with the financial rector reforms process in the nineties, the RRBs were allowed to extend credit facilities to the rural non-target group to a limited extent. In 1997, the guidelines on priority sector lending were issued to the RRBs, which brought them almost on par with commercial banks with regard to their domestic credit portfolio.

10. RRBs account for a very small proportion (around 3 per cent) of the total assets of the banking sector, despite their significant branch network. Advances of RRBs witnessed an over 7-fold increase from Rs.3,554 crore in March 1990 to Rs.26,114 crore in March 2004. Despite this, RRBs advances constituted just 2 per cent of the banking system's credit portfolio. Between 2000 to 2004, loans disbursed by RRB's more than doubled (from Rs.6,960 crore to Rs.15,579 crore) reflecting the efforts taken by the banks to improve credit flow to the rural sector. The average per branch advances increased from Rs.25 lakh in March 1990 to Rs.154 lakh in March 2003.

11. There is wide State-wise differences in credit deployment by RRB's. State-wise performance of credit disbursements in 2004 indicated that Andhra Pradesh (19 per cent) ranked first, followed by Uttar Pradesh (16.1 per cent) and Karnataka (11.0 per cent).

Credit disbursements in the North-Eastern States like Manipur, Mizoram, Nagaland, Jammu & Kashmir, Tripura and Uttranchal have been relatively low.

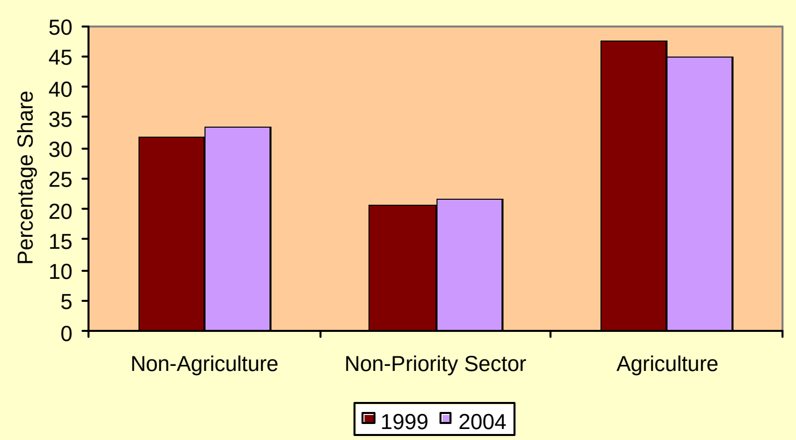
Credit- Deposit Ratio

12. During the first decade of their operations, the RRBs concentrated on expanding credit services as reflected in the credit-deposit ratio of more than 100 per cent up to 1987. Thereafter, the C-D ratio has been lower, reflecting a reorientation in their activities. During the recent years, however, there has been an improvement in the credit-deposit ratio, which went up from around 40 per cent in March 2000 to over 46 per cent in March 2004. Despite the impressive deposit growth, credit disbursals of RRBs have been lagging behind which is a matter of concern.

Priority Sector Lendings

13. RRBs have a priority sector lending target of 60 per cent. Total priority sector advances of RRBs more than doubled from Rs.10,111 crore in 2000 to Rs.20,470 crore in 2004. Agricultural loans (44.8 per cent) accounted for bulk of the priority sector advances in 2004, while the share of non-agricultural advances was 33.5 per cent (Graph.1).

Graph 1 : Priority and Non-priority Sector Advances by RRBs



14. Agricultural credit grew at an average of 33 per cent annually during the period 2000 to 2004, while non-agriculture credit rose sharply by 126 per cent annually, mainly on account of a sharper growth in credit to SHGs, SSIs and others. Short-term loans accounted for a larger proportion of agricultural loans (Table 1). Short-term agriculture credit increased at about 28 per cent per annum during the period, while term loans increased by around 5 per cent a year.

Table 1 : Growth in Advances of RRBs

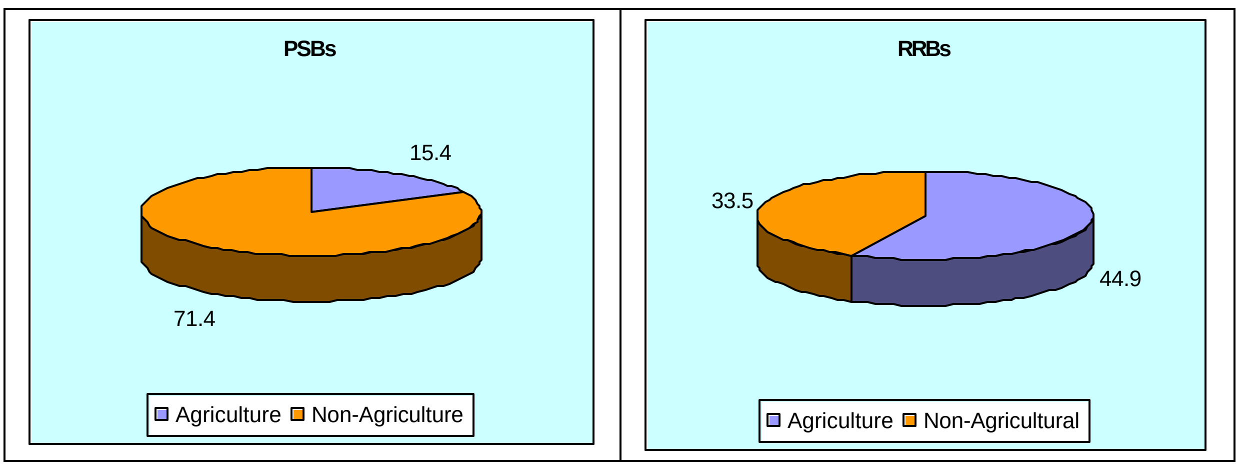
(Per cent)

Year	Priority Sector								Non Priority Sector	Grand Total
	Agriculture		Non-Agriculture					Total Priority Sector		
	Short Term	Term Loan	Rural Artisans	SSIs	Retail Trade	SHGs	Others			
2000	28.6	5.4	7.3	7.0	4.6	-	34.1	**87.0**	30.6	**16.1**
2001	28.2	6.8	-2.8	34.0	6.6	-	70.3	**143.1**	32.8	**20.0**
2002	32.2	-1	18.1	-10.8	7.3	-	46.2	**92.0**	19.1	**17.8**
2003	33.0	6.9	3.5	46.4	9.4	106.9	30.0	**236.1**	13.8	**18.9**
2004	18.0	7.8	2.9	30.9	10.5	68.4	98.2	**236.7**	2.0	**17.9**

Source : NABARD

15. The comparative position of share of agriculture in total advances of RRBs and public sector banks is given in Graph.2.

Graph 2 : Share of Agriculture in the Total Advances by PSBs and RRBs



Agricultural Credit

16. The proportion of loans extended by various institutions over the years to the agricultural sector, *inter alia*, reflected the impact of the evolving concept of "multi-agency approach". While the predominance of co-operatives as a source of credit has come down significantly, that of commercial banks and RRBs rose sharply (Table 2). Despite the strong rural branch net work, RRBs share in the total agriculture credit at the national level has remained abysmally low right from their inception.

Table 2: The Decadal Average Share of Institutions in Agricultural Credit

(Per cent)

	Co-operatives	RRBs	Commercial Banks
1970s	79.5	2.3	21.0
1980s	55.9	5.3	38.9
1990s	51.5	6.2	42.3
2002-03	34.0	9.0	57.0

Investments

17. RRBs have shown a tendency to move away from their traditional task of providing loans and increased their investments, particularly since mid-nineties. This however, had a salutary effect on their bottom lines. Their investment – deposit ratio which touched 72 per cent in 2001 declined thereafter and stood at 64 per cent in 2004 (Statement).

Financial Performance

18. Recent improvements in the financial performance of RRBs have helped in shoring up their bottom lines. Over a period of three years (2001-03), aggregate reserves of RRBs increased significantly (85 per cent), while their deposits (31 per cent), borrowings (18 per cent) and investments (20 per cent) too picked up. During the above period, loans and advances outstanding increased by 40 per cent while loans issued increased by 43 per cent.

19. The net profit of 196 RRBs declined by 15 per cent to Rs.519 crore as on March 31,2003. As at end-March 2003, 103 RRBs showed improvement in their performance either by way of increase in profits or reduction in losses or by shifting from loss to profit as compared to 121 as at end-March 2002. The number of RRBs which had wiped off accumulated losses and attained sustainable viability[1] increased to 97 as at end-March 2003 (from 86 during the previous year) and these RRBs together built up reserves to the extent of Rs.2,335 crore as at end-March 2003. Another 59 RRBs attained current viability[2] and reduced their accumulated losses to Rs.1,203 crore as at end- March 2003 (Table 3).

[1] Sustainable viability refers to RRBs having profits and no accumulated losses.
[2] Current viability refers to RRBs with profit for the year but also having accumulated losses.

Table 3 : Viability Status of RRBs
(As on 31st March 2003)

(Rs. Crore)

Category	Number	Profit/ Loss	Accumulated Loss	NPAs
1	2	3	4	5
Sustainably viable	97	623.95	-	1518.91
Currently viable	59	110.01	1183.50	955.96
Loss making	40	-214.67	1541.66	724.88
Total	**196**	**519.29**	**2725.16**	**3199.75**

Source : NABARD

20. The accumulated losses of RRBs as a group however, increased marginally (2 per cent) as on March 31, 2003 over that in the previous year. The performance of RRBs, however, varied widely across the States. The problems faced by these banks include limited area of operation, preference for narrow banking, low level of recovery in certain regions, difficulty in effecting recoveries under government sponsored programmes, non-release of State Government's share (Rs.45.89 crore) towards recapitalisation, HRD related issues, etc.

Recovery Performance

21. The asset quality of RRBs has significantly improved over the past few years due to their improved recovery performance. The rate of recovery improved sharply from 64 per cent during 2000 to 73 per cent in 2004 (Statement).

22. During the year ending June 2003, over Rs.3500 crore had to be recovered by RRBs at the aggregate level. (Table 4).

Table 4 : Recovery Performance of RRBs
(As on 30 June)

(Rs.crore)

Year	Demand	Collection	Balance	Recovery (%)
1	2	3	4	5
2001	9617.93	6789.53	2828.40	70.59
2002	11569.82	8274.34	3295.48	71.52
2003	13246.95	9738.80	3508.15	73.53
2004	-	-	-	73.00

Source : NABARD

23. State-wise recovery performance of RRBs revealed that as on June 30, 2003, Punjab registered the maximum recovery rate (92.7 per cent), followed by Tamil Nadu

(89.3 per cent), Kerala (85 per cent) and Haryana (84.7 per cent). The number of RRBs having recovery above 80 per cent increased from 29 as at end-June 2001 to 49 as at end- June 2003. RRBs with recovery levels of below 40 per cent and 40 to 60 per cent have declined during the same period (Table 5).

Table 5 : Frequency Distribution of RRBs According to Range of Recovery (As on 30 June)

(Rs.crore)

Year	<40 %	40-60 %	60-80 %	> 80 %
1	2	3	4	5
2001	14	41	112	29
2002	12	38	113	33
2003	6	35	106	49

Source : NABARD

Non-Performing Assets

24. Constant follow-up by RBI, NABARD, sponsor Banks and other supervisory authorities created positive awareness among the RRBs about the quality of lending. This was reflected by the declining trend in the NPAs of these banks. RRBs showed steady improvement in this regard as witnessed by the gradual decline in their gross NPAs as a percentage to loans and advances outstanding from 18.8 as at end-March 2001 to 14.4 per cent as at end-March 2003 and further to 12.6 per cent in end-March 2004. The improvement in recovery of dues could, inter alia, be attributed to the various policy initiatives as also the micro-finance initiatives undertaken by RRBs. The cumulative number of SHGs financed by the RRBs as at end- March 31, 2004 was 4,05,998, accounting for 38 per cent of the total. The SHGs linkage has helped RRBs to increase their outreach and has become a platform for successful implementation of many other developmental programmes.

25. Despite the fact that as on March 31, 2003, 151 RRBs registered a decline in their NPA percentages, 88 RRBs (45 per cent) exceeded the all-India average of 14.4 per cent and 52 RRBs had NPA levels of more than 20 per cent of their outstanding loans and advances. However in absolute terms, the NPAs of RRBs increased from Rs.2,578 crore as at end-March 2001 to Rs.3,200 crore as at end-March 2003. Region-wise trends reveal wide variations in the position of total loans outstanding and NPAs. The NPA proportion was the highest in the North-Eastern region (26.4 per cent) and lowest in Northern region (7.9 per cent).

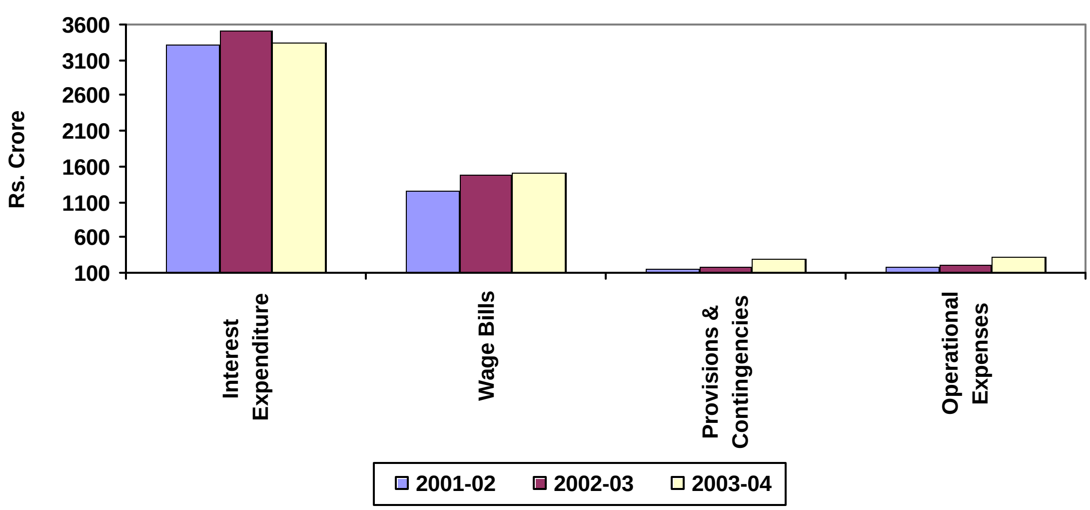
26. Some of the development initiatives which helped in improving the operational and financial efficiency of RRBs were (i) grant of exemption from the practice of mark to market norms in respect of Statutory Liquidity Ratio (SLR) approved securities up to March 31,2004 and (ii) policy of exemption from Service Area Approach for weak RRBs was reviewed and 54 RRBs were granted relaxation from the obligation up to March 31, 2004.

27. As a part of the restructuring exercise, a system of preparation of Development Action Plans (DAPs) on fixed time-frame is in place. Subsequent to the preparation of DAPs, RRBs have entered into MoUs with sponsor banks assuring performance according to the DAPs finalised by them.

Trends in Expenditure and Margins

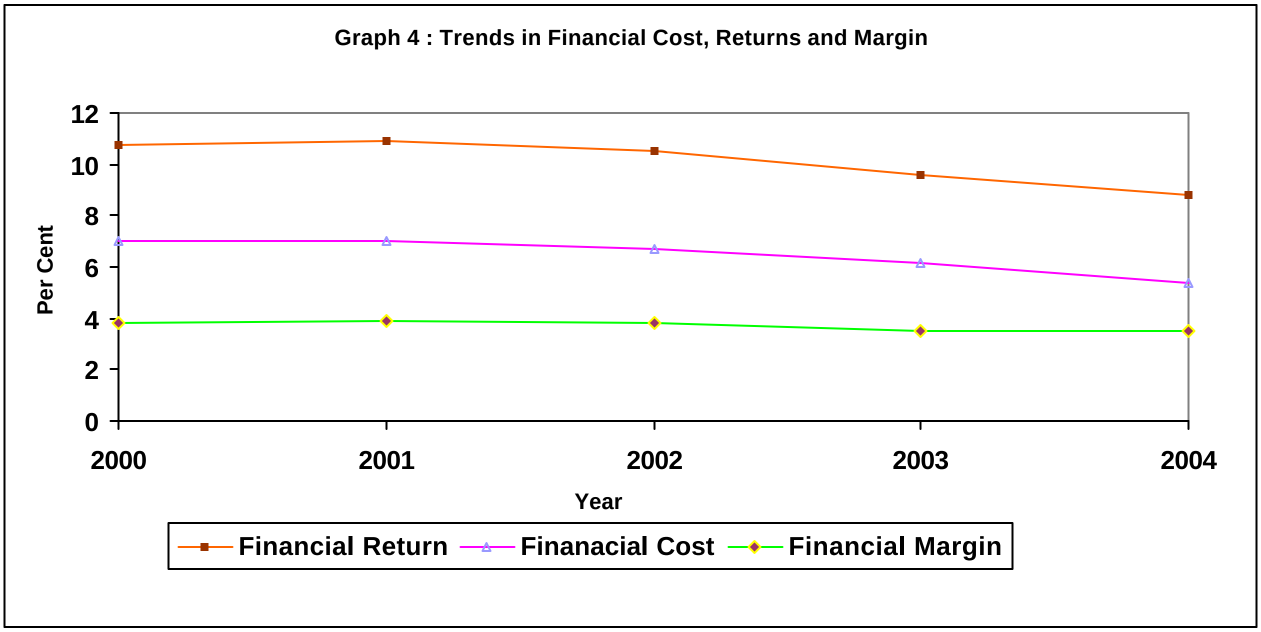
28. RRBs have high a cost structure – in 2003-04, interest expended accounted for over 60 per cent of the total expenditure, followed by wage bill (28 per cent) (Graph 3).

Graph 3 : Trends in Expenditure



Source: Report on Trend and Progress of Banking in India

29. Over the period 2000 to 2004, the financial returns of RRBs have declined faster than financial costs, resulting in a shrinkage of their margins (Graph 4).



30. RRBs cost of operations have been higher than that of commercial banks and DCCBs (Table 6) .

Table 6 : Banks' Aggregate Margins

Percentage of Total Assets

Agency	Financial Margin	Cost of Operation	Gross Margin	Risk Costs	Net Margin
Com Bks [2002-03]	2.91	2.24	2.33	1.35	0.98
RRBs [2002-03]	3.48	2.98	1.26	0.34	0.92
DCCBs [2001-02]	2.99	1.69	1.90	1.91	(0.01)

Source : Vyas Committee Report ,2004.

Support from NABARD

31. In addition to savings mobilisation and participation in government funded programs, RRBs access refinance assistance from NABARD for on lending. In 2003-04 refinance to RRBs (Rs.1,589 crore) accounted for 21 per cent of the total refinance disbursed by NABARD.

Section II : Issues and Concerns

32. There are several concerns relating to rural credit, viz., inadequate coverage, inadequacy of flow of credit, constraints on timely availability, high cost of credit, neglect of small and marginal farmers, low credit-deposit ratios in several States and continued presence of informal markets. Despite the various initiatives taken since the nineties to address these problems, there is an element of dissatisfaction that the progress has been tardy. "It is a matter of concern that cognizable success is eluding the policy-makers, at a time when increasing commercialization warrants a big thrust in institutional credit to agriculture. There is thus a discernible widespread intellectual recognition that while immediate measures are undertaken to increase the flow of credit to agriculture, there is a need to review the policy of rural credit in a comprehensive and thorough manner" (Reddy, 2004).

33. The basic thrust of the current strategy adopted by the RBI to enhance credit flow to the rural structure is through enhancing credit delivery in a regime of reasonable credit prices within the existing legal and institutional constraints. Some of the elements of the current strategy adopted by the RBI to increase the flow of credit are as follows :

i) The coverage of rural credit is extended to include facilities such as storage as well as credit through NBFCs.

ii) Procedural and transactional bottlenecks are sought to be removed, including elimination of Service Area Approach, reducing margins, redefining overdues to coincide with crop-cycles, new debt restructuring policies, one-time settlement and relief measures for farmers indebted to non-institutional lenders.

iii) Kisan Credit Card Scheme is being improved and widened in its coverage while some banks are popularizing General Credit Cards (GCCs) which is in the nature of clean overdraft for multipurpose use, including consumption.

iv) Public and private sector banks are being encouraged to enhance credit delivery, while strengthening disincentives for shortfall in priority sector lending.

v) The banks have been urged to price the credit to farmers based on actual assessment of individual risk rather than on a flat rate depending on category of borrower or end-use, while ensuring that interest-rates charged are justifiable as well as reasonable.

34. In this context, the RRBs have a key role to play. Commercial banks have focussed more on improving their efficiency and profitability and they have given relatively less importance to rural credit, though there has been some improvement in this situation during the current year. RRBs and cooperative banks on the other hand are facing serious problems of governance and operational efficiency. Though the RRBs have been able to fulfill their mandate in terms of outreach and savings mobilization from the rural areas, their performance with regard to providing access to credit has been far from satisfactory. The financial health of RRBs has also been a cause for concern since their inception due to various factors. The major shortcomings of the RRBs are as follows:

xiii) ***Limited Area of Operation*** : The RRBs are constrained in their operations by the limited area of operation. This coupled with their narrow base of business activities and the low clientele base, has resulted in high risk exposure of RRBs

xiv) ***Narrow Clientele Base*** : The customers of RRBs compromise of small and marginal farmers, small scale sector, small transport operators, SHG groups,etc, whose credit requirements are mostly small. RRBs are unable to cross-subsidise their lending business as they do not generally provide credit to wealthy borrowers with large needs, thereby affecting their capacity to earn higher incomes .

xv) ***Under capitalized*** : RRBs as a group have a low capital base, and their authorised capital is Rs.1 crore placing limitations on their business size. Furthermore, in the case of some of the RRBs their deposit liabilities are very large compared to their capital base. For instance, as as on March 31, 2004 while 2 RRBs had deposit liabilities of over Rs 1,000 crore, 24 RRBs had a deposit base ranging between Rs.500 to Rs.1,000 crore, and 146 RRBs had deposit liabilities between Rs.100 to Rs.500 crore. This is not a healthy trend as in the event of inefficient use/misuse of funds resulting in a financial problem, the stakeholders would have to bale out the bank.

xvi) ***Small Organisational Structure***: The size of financial assets, as well as linkages which are necessary for effective banking services has been limited by the small organisational structure of RRBs. This has also come in the way of growth in business volumes and garnering a larger share in the rural financial market.

xvii) ***Low Recovery and Large Non-Performing Assets*** : RRBs loan recovery rates have declined over the years, resulting in a large over hang of NPAs (around Rs.3,200 crore) as discussed earlier, which has come in their way of recycling funds and increasing the flow of credit to the rural sector. The directed lending policy for RRBs has resulted in low quality of assets. This coupled with high cost of funds and below cost interest rates on loans has led to high accumulated losses and piling up of bad assets in the case of many RRBs.

xviii) ***High Cost Structure*** : RRBs are characterized by high cost of servicing numerous small accounts and huge wage cost. Furthermore, RRBs get credit from sponsor banks and refinance from NABARD at rates of interest higher than the market rates. This places limitations on their ability to reduce the rates they charge to their ultimate borrowers, although they are compelled to do so on account of competition from banks.

xix) ***Perceived as Specialised Bank*** : There has been an uneven growth of RRBs due to the diffusion in the perceived objectives of RRBs over time. Despite the pressures of credit expansion, improvement in recovery performance, profit orientation and strict compliances to banking norms, the general perception has been that RRBs have got only social objectives, without any viability consideration , which has to be changed.

xx) ***Inadequate Financial Management Skills*** : Poor financial management skills, coupled with pressures from various quarters (like sponsor banks) appears to have resulted in inefficient allocation resources by RRBs which in turn is reflected in the high incidence of NPAs and parking of huge funds with sponsor banks (policy changed in 2002-03).

xxi) ***Unskilled and Aging Staff Structure :*** Limited exposure and lack of appropriate training, has resulted in RRBs staff lacking the necessary skills and capacity to cater to the changing requirements of the rural sector. Furthermore, the ban on recruitment has also resulted in aging staff structure constraining constraining efficiency in operations. Uniform norms and personnel policies have been applied to RRBs through out the country ignoring local touch thereby causing staff unrest, poor industrial relations, innumerable litigations and lowering of staff morale as also their involvement with the development tasks (Rao Committee, 2002).

xxii) ***Heavy Dependence on Sponsor Banks*** : Another weakness observed in the case of RRBs is their failure to adequately integrate with the financial markets of the country due to their heavy dependence on sponsor banks for financial/business initiatives. RRBs are also some times perceived as potential competitors, due to the presence of the sponsor banks in the same area of operation. RRBs have therefore, not been able to establish systems and procedures required for providing efficient services to the clients ,as also for efficient management of their financial resources.

xxiii) ***Lack of Professionalism in Management*** : The Chairman of most of the RRBs are from sponsor banks which limits the freedom and decision making capacity of RRBs. Even for small matters RRBs have to refer to sponsor banks, which leads to delay in decision making and reduces efficiency. Furthermore, the Board of Directors of RRBs are most often ineffective as they are either appointed by the stakeholders or are political appointees lacking necessary skills and qualities to take important portfolio decisions. They also lack the freedom in operational decision making hampering RRBs growth.

xxiv) ***Erosion of Deposits*** : In the case of few RRBs there has also been an erosion of public deposits, besides capital.

Though many RRBs share the problems discussed above, there are few which are viable and vibrant institutions.

35. Besides the above, RRBs functioning has also been affected by other factors, *viz*., legacy problems and other policy constraints. The administered interest rate regime which prevented these banks from lending at competitive rates, the change in the wage structure of RRBs by bringing them on par with the commercial banks resulting in higher wage costs, and various restrictions imposed on them by the regulators/supervisors while re-capitalising to monitor recovery further deteriorated their operational flexibility. It would , therefore, not be proper to judge the performance of RRBs ,*vis-à-vis*, commercial banks , without considering the policy and administrative constraints impinging on their performance.

36. The various problems relating to RRBs have been well documented and several committees/working groups have made far-reaching recommendations to remedy the situation such as lending to non-target groups (Dantwalla Committee, 1978), recapitalisation and investment in high-yielding government securities (Kelkar Committee, 1986) and possible merger with rural subsidiaries of sponsor banks (Narasimham Committee, 1995).

37. Some of the suggestions have been implemented and other policy initiatives taken particularly since mid-nineties to revitalize RRBs. One such initiative was the contribution by stakeholders of RRBs of nearly Rs 2,200 crore as additional capital for

187 RRBs between 1994-95 and 1999-2000. There has been quantitative, as well as qualitative improvements in the performance of RRBs following the banking sector reforms process. The policy measures undertaken in respect of RRBs, viz., the permission to relocate loss making branches to better business centres and conversion of loss-making branches into satellite/mobile offices without impairing their performance in service areas has also had a salutary effect on their financial performance, especially profits, recovery and decline in their NPAs.

38. While there has been some improvement in the RRBs functioning in the recent years, there is significant room for improvement in their governance, transparency, human resources, and systems and procedures. There is generally no representation of experts and agricultural specialists on the board of directors to provide commercial expertise or orientation and an overbearing presence of officials from sponsor banks officials as directors. RRBs need to urgently focus on enhancing portfolio quality by reducing the non-performing loans and acquiring modern technology for credit appraisal and delinquency management. Without reducing subsidy dependence, RRBs will neither become autonomous nor sustainable. RRBs have to realize that the lower end of the rural finance market provides sufficient avenues for profitable operations and should refrain from diversifying into market segments and products for which they are ill equipped.

Section III : Repositioning of RRBs – Agenda for Future

The Rationale

39. RRBs which were set up with the intention of extending credit to the rural poor have succeeded in the objective of taking banking services to the villages, but have however, failed to make a clear dent on credit to the rural poor during the past 30 years of their existence. This has to be viewed in the context of the policy framework for rural development adopted in India with focus on income and employment generation and poverty alleviation. The renewed emphasis on agricultural and rural development by the Government of India would lead to a growing demand for different types of financial services in the rural areas, as financial needs of the rural economy becomes diversified. The present structure of rural credit may not be able to cater to the same. RRBs would be called upon to play a greater role in providing such services due to their rural character and feel. RRBs have to take over a larger share of credit disbursements calling for much larger resource mobilization, as also greater efforts for their institutional strengthening.

40**.** After nearly three decades of existence, the RRBs are facing many constraints warranting an over haul and a serious consideration on the part of the policy makers for their strengthening. This can be achieved not only through recapitalisation, but by simultaneously establishing a revamped legal, regulatory and supervisory framework with emphasis on high quality of governance and a management that recognises the real challenges confronting the RRBs. Only then can RRBs be expected to meet the expectations of becoming vibrant rural financial institutions capable of meeting the growing requirements of rural India

41. In this context the questions which arise are whether agricultural banks can be successfully reformed, what are the preconditions for the same and what measures need to be taken ? The international experience of successful reforming of agricultural development banks, viz., Bank for Agriculture and Agricultural Cooperatives (BAAC) in Thailand and the Bank Rakyat Indonesia (BRI), suggests that reforming agricultural development bank may be feasible and that financial performance and outreach can be greatly improved (Annex I and II). Certain preconditions for reform however, exist such as favourable financial sector environment, effective demand for rural financial services and a commitment to profitability and sustainability of operations.

The Agenda

42. In the Indian context, there is a need for repositioning and revitalizing RRBs to bridge the credit gaps in the rural areas to attain the overall macro-economic goals and help in poverty alleviation. The suggested road-map for reviving RRBs is as follows :

(1) Immediate measures to be taken within the existing legal framework.

(a) **Governance issues** :

i) As the Chairman of RRBs is mostly from the sponsor bank, it constrains their freedom and flexibility to take timely decisions thereby hampering the efficiency of RRBs. Hence the criteria for appointment of Chairman/Managing Director of RRBs has to be revisited, and the Chairman may be appointed from the open market through a transparent process. There are various options in this regard. One such option is to have a pool of experienced and knowledgeable persons from which a Chairman could be appointed. Another alternative could be to have a separate post of Chairman and CEO which would reduce to some extent, the interference of the sponsor bank in day to day operations of the RRBs.

ii) The lack of freedom to take any commercial decisions has resulted in apathy of the Boards towards the RRBs (Khusro Committee, 1989) . The Committee had noted that RRBs Board did a poor job of monitoring their performance because they did not have any interest in the affairs of the bank. In several cases, the Board consists of political appointees not familiar with technical and operational aspects of banking and finance, which in turn, has come in the way of RRBs adopting appropriate lending and financial policies,etc. For strengthening the Boards of RRBs, the composition of the Board may have to be changed. The Board has to be broad-based through inducting professionals such as agricultural and banking experts, CAs and MBAs, etc. Certain clear-cut policies and criteria may have to be stipulated for appointment of Directors to the Board of RRBs. Only committed persons/officials may be nominated by the State Government and Central Government on RRBs Board. Wherever needed, the RBI may consider writing to the State/Central Governments to nominate specialized person in agriculture/co-operation/ banking, etc. instead of IAS officials who do not regularly attend the Board meetings. The Central Government may be requested to appoint even retired persons with professional competence in the relevant fields on the Board.

iii) One of the problems in the case of RRBs is the unskilled and aging staff structure which has adversely affected the performance of RRBs. This is the fallout of both policies (ban on recruitment) and other factors. For improving the viability of RRBs, the staff could actively participate in the restructuring process. There is, therefore, a need to change the human resources policies in RRBs and greater flexibility and freedom may be given to them to recruit competent and skilled staff from the open market, subject to some broad guidelines.

iv) One of the problems in the case of RRBs is multiple ownerships which has resulted in a range of bureaucratic controls. It has at times resulted in faulty business policies and a plethora of reporting rules and regulations resulting in inefficient management practices(Thorat, 2004) . For instance, the Government decides on various aspects of lending policy, organisational structure and recruitment policies of the RRBs leaving very little freedom to them. There may be a case for addressing this issue.

(b) **Structural / Management issues**:

i) To improve the operational viability of RRBs and increase economies of scale (by reducing transaction cost, etc.) there is a need for merger/consolidation of RRBs.

ii) There may be a gradual segregation between ownership and management/ supervision, with emphasis on arms- length relationship.

iii) There appears to be no specific incentives for managers and staff of RRBs to put in greater efforts to convert their branches into profit- centres. International experience in restructuring rural financial institutions have indicated that besides other conditions, the provision of incentives to staff is a key variable that facilitates success (Yaron, Benjamin and Charitonenko, 1998) The mindset of the officials in RRBs, needs to be changed through appropriate incentive structure and career planning.

(c) **Operational issues** :

i) The demand for financial services is diverse and as such sustainable response would have to be pluralistic. (Seibel, 2001). Some borrowers require access to more capital , while others local savings systems. In such a set up, the RRBs may require flexibility in introducing different types of deposit and credit products to cater to the increasing diversification of agricultural products, markets and processes. This could go a long way in reducing costs and improving incomes.

ii) The RRBs may have to focus more on non-fund based business like insurance, offering consultancy services to farmers, issuing drafts, etc.

iii) Since mid-nineties RRBs appear to have moved away from their traditional function of providing credit and increased their investment portfolio. Though this has improved their bottom-lines, to reposition RRBs, proper incentive structure may have to be put in place to encourage them to increase their credit portfolio. This could be by way of recognition/ award/prizes to the best RRB based on some parameters like increase in credit flow, reduction in NPAs, higher credit-deposit ratio, etc.

iv) Stepping up of efforts to clean the balance-sheet of RRBs through appropriate measures may be required which would enable them to recycle the funds locked-up in NPAs.

v) Special recovery agency/incentives to staff for helping improve recovery performance, etc., may be considered.

vi) There is a need for asset-liability management system for RRBs to help improve their viability.

(d) **Other issues** :

- International experience indicates that sustainable poverty reduction requires the political will of government, as also conducive policy framework. Furthermore, no poverty reduction programme can be sustainable without good governance and adequate policies. These are equally important for reforming RRBs in India.
- No unique business model for RRBs may be applicable due to various factors such as differences in socio-economic environment, geographical factors, availability of infrastructure, etc. As such, only broad guidelines and principles may be laid down with flexibility to RRBs to design their own products and techniques.

(2) Medium-term measures to be taken in (next 2 to 5 years) :

i) The RRBs Act may have to be amended, particularly the provisions relating to ownership.

ii) There is a need for increasing the capital base of RRBs to enable them to provide more credit to the rural sector.

iii) RRBs dependence on concessional refinance and government sponsored schemes to be reduced and they have to be encouraged to mobilize more resources from the rural population and become viable institutions.

iv) As in some cases, State Government is playing a limited role, the scope for their gradual exit from RRBs need to be explored. The share of State Government may be taken up either by the sponsor bank or other banks.

Conclusion :

43. International experience of restructuring rural financial institutions indicate that only viable financial institutions with sustainable financial services can increase their outreach.

The issue of viability is thus not only of relevance to the health and survival of the institutions but also to the poor themselves. To reposition RRBs in the Indian Financial System, major initiatives may have to be taken to improve their financial viability and sustainability.

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Statement: Performance Indicators of RRB's

Parameters	2000	2001	2002	2003	2004
1	2	3	4	5	6
Districts covered	482.00	501.00	511.00	516.00	518.00
No. of Branches	14301.00	14313.00	14390.00	14433.00	14446.00
Staff	70294.00	70141.00	69876.00	69547.00	69249.00
Owned Funds	3047.00	3521.00	4059.00	4666.00	5437.87
Deposits	32204.00	38272.00	44539.00	50098.00	56350.08
Borrowings	3757.00	4064.00	4524.00	4799.00	4595.48
Investments	22945.00	27636.00	30532.00	33063.00	36135.40
Crop Loans and Advances	13184.00	15816.00	18629.00	22158.00	26113.86
Loans Issued	6960.00	8823.00	10571.00	12641.00	15579.05
Credit Deposit (CD) Ratio	40.94	41.33	41.83	44.23	46.34
Investments Deposit (ID) Ratio	71.25	72.21	68.55	66.00	64.13
Per Branch Productivity	3.17	3.78	4.39	5.01	5.71
Per Staff Productivity	0.65	0.77	0.90	1.04	1.19
No. of RRB's having accumulated losses	141.00	116.00	110.00	97.00	90.00
Accumulated losses	2979.00	2793.00	2695.00	2752.00	2725.35
No of RRB's in Profit	162.00	170.00	167.00	156.00	163.00
Current Profit	544.00	676.00	700.00	734.00	952.33
No of RRB's in loss	34.00	26.00	29.00	40.00	33.00
Current Loss	114.00	76.00	92.00	215.00	183.65
No. of Banks with Sustainable Viability	55.00	80.00	86.00	97.00	106.00
No. of Banks with Current Viability	107.00	90.00	80.00	59.00	57.00
Overdues	2491.00	2552.00	2828.00	3295.00	3625.30
Recovery % (June prev. year)	64.09	68.20	70.60	71.52	73.49
Non-Performing Assets	3049.00	2978.00	3067.00	3200.00	3298.66
NPA %	23.13	18.83	16.46	14.44	12.63
Total Assets	42425.00	49641.00	56802.00	63190.00	70285.76
Average Working Fund	36553.00	42496.00	49133.84	56711.43	62746.95
Financial Return	10.79	10.89	10.55	9.62	8.83
Financial Cost	7.02	6.98	6.74	6.14	5.36
Financial Margin	3.78	3.91	3.81	3.48	3.47
Salary	2.51	2.36	2.57	2.59	2.40
Other Operating Expenses	0.39	0.38	0.40	0.39	0.48
Misc. Income	0.58	0.55	0.75	0.76	1.13
Gross/Operating Margin	1.47	1.72	1.58	1.25	1.72
Risk Cost	0.29	0.31	0.34	0.34	0.45
Net Margin	1.17	1.41	1.24	0.92	1.26

Source : NABARD

(Rs in crore)

Annex - I

Experience of few countries in Reforming Rural Financial Institutions

1. **Experience and Key Components of Reform**[*]

Agricultural development banks were established 20-30 years ago to extend financial services, mainly credit at subsidized interest rates, to customers not considered creditworthy by commercial banks. They are largely state owned and funded by governments and international donor agencies. In general, agricultural development banks have focused on providing credit rather than on accepting deposits, a practice that has undermined their self-reliance as well as their viability. Agricultural development banks were established to extend credit and other financial services to customers not considered creditworthy by commercial banks. Although frequently unprofitable, they have played an important role in the fight against rural poverty.

Given the high cost of administering large numbers of small loans, the banks have tended to provide bigger loans to better-off farmers. Because farming is a seasonal occupation, agricultural lending institutions experience the boom and bust of cash flows, with loan requirements drastically increasing during the sowing season. In addition, an emphasis on providing loans strictly for agricultural activities, mainly crop production, as opposed to providing credit for other kinds of rural income-generating activities has limited the potential of agricultural development banks to serve a wider clientele. Such preferential credit programs have tended to curtail rather than expand their outreach to small farmers and other customers in rural areas.

Because they are government owned, agricultural development banks have frequently been subject to repressive financial measures, such as controlled exchange and interest rates, as well as to political expediencies and vested interests. Interest rate regulation has prevented them from covering their costs and has restricted the access of the poor to financial services. These banks have also remained largely unsupervised, and their de facto exemption from prudential banking regulations and from effective monitoring and supervision of their activities has brought many of them close to insolvency.

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[*] Extracts from " Agricultural Development Banks : Close Them or reform Them" by Hans Dieter Seibel, Finance & Development , IMF, June 2000.

Interestingly, these constraints have applied to institutions operating in both centrally planned and free-market economies.

With a few laudable exceptions, primarily in Asia, agricultural development banks have also suffered from the reluctance of both public and private sector interests to implement policies and reforms that recognize that the poor are bankable—that they can save, invest, and repay loans. To develop their agricultural activities and microenterprises, prepare for emergencies, and provide for the future, the poor need access to a range of microfinance services, in particular savings-deposit facilities, credit, and insurance. Agricultural development banks have often become unsustainable. In at least two regions—Africa and Latin America—a number of them have been closed down. Among those remaining, many are technically bankrupt but continue to limp along, unable to attract substantial new funding. They also lack the managerial wherewithal to diversify and enhance customer services—for example, by enabling women farmers and other traditionally disadvantaged groups to both save and borrow.

Successful Reform Stories

Reform—which requires operational autonomy and freedom from political interference—entails setting up an appropriate legal and regulatory framework with prudential norms and effective internal control and external supervision. Two agricultural development banks that reformed successfully are the Bank for Agriculture and Agricultural Cooperatives (BAAC) in Thailand and Bank Rakyat Indonesia (BRI).

Preconditions for Reform

The experiences of BAAC and BRI suggest that reforming the agricultural development banks may be feasible and that their financial performance and outreach can be greatly improved, but only if certain preconditions exist to facilitate their rehabilitation. Among these, a favorable financial sector climate, an effective demand for rural financial services, and a real commitment to profitability and sustainability of operations are essential. Any financial institution following sound practices can become sustainable and combine outreach and viability. But generally, institutions built on principles of self-reliance and private ownership have better prospects. To maximize their outreach, institutions must be financially sustainable: they must be able to cover all their costs, mobilize their own resources, protect their funds against erosion from inflation and nonrepayment of loans, and make a profit to finance their expansion. Clearly, the political will either to close loss-making institutions or to implement effective reforms is essential. Governments also need to be pressured to implement reforms with implications for their own fiscal and prudential regulatory and supervisory policies.

Key Components of the Reform

- The political will to reform or close banks
- Adequate reform strategies (for example, privatization)
- An effective planning process
- Operational autonomy and freedom from political interference
- An appropriate legal and regulatory framework with prudential norms
- Financial restructuring
- Organizational restructuring
- Human resource development, including staff retraining
- Effective delivery system (decentralized network of branches as profit centers)
- Demand-driven deposit, credit, and other financial products
- Financial sustainability.
- Effective internal control and external supervision.

2. THAILAND

Bank of Agriculture and Agricultural Co-operation (BAAC) is recognized as one of the few successful examples of the specialized agricultural development banks in Asia and the developing world as a whole. In BAAC, the reform process as such has been a gradual one and has progressed in stages over more than 30 years, different from the "big-bang" type of reform experienced in other agricultural banks, for example BRI in 1983. At times, the reform process in BAAC moved slowly, and gained momentum in other periods.

In October 1998, **the Bank for Agriculture and Agricultural Cooperatives** , with 4.8 million clients representing some 86 percent of all farm households in the country, came under the supervision of the Bank of Thailand for the first time in its 34-year history. It is now subject to prudential regulation, such as capital-adequacy requirements and loan-loss provisioning. BAAC's reforms were actually staggered over more than thirty years. In the beginning, the bank depended almost exclusively on capital from the government for operating funds. Allocations often arrived late, and the inflow of funds was difficult to synchronize with farmers' seasonal credit needs. The result was a chronic funding shortage. Loan- recovery rates dropped to as low as 51 percent in the early 1970s and, by 1974, administrative costs had risen to more than 8 percent, threatening BAAC's financial viability.

In 1975, the Bank of Thailand adopted an agricultural credit policy stipulating that commercial banks would initially have to lend 5 percent—and 20 percent subsequently—of their portfolios to the agricultural sector. Under this policy, the banks could either lend the amount directly to farmers or deposit with BAAC any portion of the quota that they could not disburse directly. This policy marked a turning point in BAAC's operations, and the increasing availability of commercial bank deposits made up for the BAAC's shortage of funds. Other measures were also taken, including shifting from wholesale lending through agricultural cooperatives, to retail lending to individual farmers organized into joint-liability groups. By 1987, BAAC had formed about 100,000 joint-liability groups involving 1.5 million members, compared with 821 agricultural cooperatives.

Between 1988 and 1996, the Bank of Thailand eliminated interest rate ceilings on the fixed deposits of commercial banks and eventually liberalized all interest rates. Restrictions were removed on the opening of branches, and commercial banks were allowed to offer a wide range of financial products in rural areas. By 1998, BAAC had increased the number of its branches to 535 from 82. While commercial banks were expanding their lending portfolios and reducing their deposits, BAAC was increasing its outreach and savings mobilization to the point where rural deposits became its main source of funds. Moreover, following Thailand's financial and economic crisis in 1997, BAAC was seen as a safer haven than its commercial competitors and received significant inflows of deposits.

The implementation of reform steps has resulted from both external and internal factors. In many cases, reform decisions and measures were taken in response to external influences such as government policy decisions and external shocks like the financial crisis most recently. However, a number of important reform steps originated from inside, some in adaptation or anticipation of a changing environment, others in response to lessons learned, including both failures and best practices. The shift from wholesale to retail lending in the late 1970s and the aggressive expansion of the branch network since the late 1980s are examples in point.

The development of BAAC and the internal reform process have been guided by a clear vision of achieving the dual objectives of (a) maximum outreach to the target clientele of farm households and (b) maintaining the financial viability of the bank. Political pressure and the strong role of the government has been the major force behind the outreach objective while the financial viability has been of vital interest to BAAC's management. Striking a balance between the two potentially conflicting objectives, has not been an easy task and involved compromises and compensations on either side.

In terms of focus and content, the reform process has been directed at the transition from agricultural credit to rural finance and at the institutional transformation of BAAC from a specialized credit institution to a diversified rural bank. The gradual diversification of financial services provides a clear indication of this evolution. In the early years, BAAC mainly provided short-term agricultural loans. During the 1980s the bank expanded into medium and long-term farm lending. Since 1993, BAAC has offered loans for farm-related activities and most recently opened the window for non-farm lending to rural micro and small enterprises. Since the mid-1980s, BAAC has added savings deposit facilities to the range of financial services offered to its rural clients.

Major reform elements

The reform of BAAC was characterized by a number of specific elements which can be summarized as follows :

First, the operational autonomy of the bank has been safeguarded and respected by the government. Directives and interventions by the government mainly applied to the policy level. Second BAAC has developed a corporate culture that recognizes cost-effectiveness, productivity and efficiency as major guiding principles, despite government ownership and BAAC's status as a state-owned enterprise. This was largely achieved by the "privatization" of the organization and the internal procedures, such as the delegation of authority and responsibility to managers at different levels, the organization of the branches as profit centres and the recruitment of staff carefully tuned to workload, to name a few examples.

Third, the expansion of the branch network and the decentralization of operations which greatly increased the physical proximity and convenience and reduced the transaction costs for its clients. This was particularly important for savings mobilization as the number and volume of deposits grew proportionately with the number of outlets.

Fourth, BAAC developed and perfected a particular financial technology and delivery mechanism, i.e. individual lending to members of joint liability groups, which specifically suits the rural Thai context. At the same time, BAAC reduced its engagement in the field which was less successful, i.e. wholesale lending to agricultural cooperatives.

Sixth, BAAC actively engaged in rural savings mobilization which led to a radical change in the financial resource base. Savings mobilization became a realistic option after two pre-requisites were fulfilled: first, the loan portfolio quality significantly improved in the early 1990s which sent an important signal to depositors concerning the safety of their deposits, and second, the expansion of the branch network reduced the depositors transaction costs which allowed low-income clients to deposit small amounts in a savings account with BAAC.

Seventhly, in view of the political constraints in its lending policy, BAAC's management has successfully pursued a strategy of negotiating privileges and compensations against government interventions and restrictions. While such compromises represent second-best solutions from a strictly economic viewpoint, BAAC was able to protect its financial viability in a politically constrained environment.

3. **Indonesian Experience**

a) Bank Rakyat Indonesia (BRI's) experience shows what can be achieved under deregulation. Since 1984, BRI has been a major provider of microfinance, mobilizing microsavings and offering small and micro loans to individuals and groups at the village level. By 1989, BRI was able to fully finance its village lending activities from locally mobilized savings. Since then, the growth of savings has outpaced that of loans, testifying to a strong demand by the rural poor for deposit services. By 1999, its 3,700 rural subbranches had 2.5 million active borrowers and some 20 million savings accounts. Among the three leading rural financial institutions in Indonesia, BRI accounts for 78 percent of savings account deposits and 52.2 percent of all loan accounts.

By implementing sound policies, including a massive staff retraining program, this formerly frail government-owned agricultural development bank made its microfinancing unit a tremendous success. Part of this success stems from the bank's recognition of the need to reach out to the rural poor as well as to wealthier clients. BRI benefited from interest rate deregulation and a management initiative to commercialize operations by transforming its subbranches into self-sustaining profit centers. For example, it offered its staff profit-sharing incentives. The bank covers its costs from the interest rate margin and finances expansion from its profits; its long-term loss ratio is only 2.1 percent.

b) Bank Shinta Daya :The Indonesian Experience shows that the establishment of micro-finance institutions (MFIs) and the outreach of existing financial institutions to the poor has been greatly influenced by the deregulation of interest rates in 1983 which led to a surge in national resource mobilization and a multitude of financial innovations, and bank deregulation in 1988, which led to a rapid increase in the number of village banks and the transformation of small institutions into rural formal sector banks. Both have greatly eased access of the poor to banking services and contributed to the reduction of poverty in Indonesia.

With 43,000 accounts and a clientele of over 30,000 comprising 30,340 savers and 12,656 borrowers, Bank Shinta Daya has shown that privately owned village banks can have a considerable outreach at the local level without being subsidised. Moreover, as it records 69 percent of its borrowers and 85 percent of its savers as poor, it has also demonstrated that financial services to the poor by private banks can be profitable and self-sustained. The main emphasis of any further attempt at poverty alleviation must concentrate on institution building : the establishment and upgrading of institutions owned by the poor, and of institutions providing services for a clientele that includes the poor.

For the further development of microfinance institutions and microfinancial services for the poorer segments of the populations, four policy measures are of particular importance according to the Indonesian experience:

- Deregulation of interest rates of permit institutions to pay interest rates with positive real returns to savers and to charge interest rates on loans that cover their costs and permit profits from which their expansion is financed and owners are rewarded. They also allow a given institution to differentiate their interest rates according to loan product, depending on loan size, maturity and collection service. Bank Shinta Daya has used the opportunities offered by deregulation in varying ways, offering an average deposit rate of 14.7 percent and charging an average lending rate of 27.4 percent.

- Bank deregulation to ease the establishment of new banks, branching out, taking the bank to the people, and to allow for the establishment of local MFIs with equity capital requirements that substantially differ from those for national banks.

- Provision of adequate forms of governance and legal status for MFIs that may be owned by members, communities and stockholders, as in the case of Bank Shinta Daya. There is still a need for adequate forms of non-bank status for small and very small MFIs such as financial self-help groups (i.e. genuine micro-institutions).

- Establishment of second-tier regulatory authorities which guide and supervise large numbers of small financial institutions that cannot be effectively controlled by the central bank. This is still largely a task of the future.

- informal financial institutions to upgrade their financial operations and acquire an appropriate legal status, thus evolving into semi-financial institutions with deepened services and increased outreach.

- semiformal financial institutions to upgrade their financial operations and evolve, where feasible, into village banks (BPR).

- informal semiformal and formal MFIs to link up with banks as refinancing institutions, thus strengthening their financial service capacity and deepened outreach.

- the poor to organise themselves in self-help groups and to upgrade their activities and gain access to the financial services of banks.

- MFIs to open a window for targeting the poor through the group approach, linking the MFI to existing self-help groups

- poverty alleviation projects in increasing women's participation and in transforming their local financial 1operations into autonomous local MFIs owned and run by women.

- rural and commercial banks in establishing business relations with MFIs to refinance their activities, thus strengthening their financial deepening and outreach.

Annex -II

Agricultural Development Banks - Cross Country Experience

	India	Thailand	Indonesia
1. Established in	RRBs established in 1975	BAAC established in 1966 as Govt. owned agriculture development bank	Bank Rakyat Indonesia (BRI) created in 1895. BRI is a state owned commercial bank.
2. Objectives/ mandate	Set up for developing rural economy by providing credit and other facilities for development of agriculture,trade, commerce, industry & other productive activities. Particularly to small and marginal farmers, agricultural labourers, artisans and small enterpreneurs.	Specialized bank to provide credit to agricultural producers. Recently changed to a more diversified rural bank providing range of financial services.	BRI Unit Desa (BRI-UD) (village banks) created in 1970s to provide inputs for rice-green revolution. Restructured in 1984 as profit centres with commercial approach to micro finance. (i) To provide finance to people in rural areas of Indonesia. (ii)Mandate broadened in 70s-allowed to undertake any kind of commercial banking operations domestically. iii) BRI doesn't target poor, but its clients mainly middle/upper end of poor class. iv) The Income Generating Programme for Small Farmers & Fisherman (P4K) targets explicitly poor farmers.
3.Ownership	Primarily government owned. Issued capital (not > Rs.25 lakh < Rs. 1 crore) 50% share Central Govt. 15% share State Govt. 35% sponsor bank	Government owned - 99 % share Ministry of Finance - Balance agricultural cooperatives Since 1998 permitted to sell shares to employees/ clients Privatization was to start after BAAC adheres to security market authorities regulations and procedures& Computeri-zation of sales/registration of shareholders.	1992 became Ltd. Liability Company and Public company since November 10, 2003 59.50 % shares owned by Govt. 40.50% shares held by public.
4.Supervision	Central Government/NA BARD/RBI	Ministry of Finance, Bank of Thailand	Ministry of Finance
5.Governance structure	i) Board of Directors – 8	i) Board of Directors – 15 members. Board controls	-

	members (max.15) 2 each to be nominated by Central Govt.and State Govt. & 1 each by RBI, NABARD & sponsor bank. ii) Board responsible for general superintendence, direction & management of affairs and business of RRBs. iii) Chairman – appointed by Sponsor Bank.	policies and business of the bank. Composition of Board includes representative of PMO's office, Ministry of Finance, Ministry of Agri & Coop., Cooperative Promotion Deptt., Agri Land Reform Office & Bank of Thailand (BOT). President of BAACis a Board members. ii) Chairman –Dy.Finance Minister iii)Board represents Govt's interest – expertise/ experience in banking & finance scarce. iv) Conflict of interest – internal policies based mostly on political considerations and against long term objective of financial health and sustainability. v) BAAC's strategy "interventions against compensation" through lobbying and dialogue.	
6. Staff	i) RRBs can appoint member of staff/officers as considered necessary/desirable ii) Sponsor banks to depute staff/officers if requested by RRBs. iii)Central Govt. to determine remuneration in line with salary of State Govt. employees and local authorities in the notified area. iv) Board to decide duties.	Has Human Resource Management Dept. – man power planning, job specifica- tion, recruitment & appointment, personnel action, performance appraisal etc.	-

7. Regulation	Central Government / NABARD	Earlier, Ministry of Finance. Annual external audit by Office of Auditor General of Thailand. Performance assessed by Thai Rating and Information Services (TRIS). Aftermath Financial crisis – October 1998 came under BOT	Ministry of Finance
8. Organisa-tional structure	i) On request from a sponsor bank, Central Government, through gazette notification, establishes one or more RRBs in a State/ UT and specifies local limit within which each RRBs to operate. ii) Duty of the sponsor bank to aid/ assist the RRBs by subscription to share capital, training personnel, providing managerial & financial assistance during first 5 years (extendable), (iii) Have Head Offices in the Central Govt. notified area (iv) Establish branches/agencies at any place in notified area.	(i) Four-tier organisational structure. Head Office, provincial offices, branches, field offices (covers all districts of the country). Each field offices – 8 to 9 credit offices responsible for screening/ selecting borrowers, appraising loans and monitoring repayment. No cash transactions. Branches disburse loans, collect debt repayments & mobilize deposits. Branches far reaching authority. Can approve loans upto Baht 1 million. 1997- Provincial offices created with provincial Director- to decentralize management control, monitoring and supervision. Can sanction loans upto Bhat 3 million.Provisional Director guides/supervises 6-10 branches and reports to HO in Bangkok. (ii) Branches – Profit centres profitability criteria for performance evaluation/ assessment (ii)1997-Transfer price mechanism introduced for funds transfer between branches and HO.	i) BRI has 13 Regional Offices, 324 domestic branches, 4049 BRI units, 148 sub-branch offices and 240 village service posts. ii) BRI unit (village units) converted into fully commercial micro finance bank offices in early eighties. iii) Management of units very effective – function as individual profit centres. Performance monitored & specific staff incentives implemented. iv) Units allowed to move excess funds to BRI branches (well remunerated).
9. Operational	Limited	High degree of	-

autonomy		operational autonomy.	
10. Lending policies	i) Central Govt/RBI decides overall policies ii) Norms for lending: * Target Group (Priority sector) – 60 per cent of outstanding advances. * Non-target Groups- 40 per cent of incremental lending (raised to 60 per cent in January 1991). * Provide micro-finance	i) Government decides lending policies ii) Autonomy at operational level-BAAC successful in warding off political interference. iii) Joint Liability Group of heart of BAAC's lending (different from SHG- no financial transactions) iv) All transactions with individual members only. Groups help BAAC in screening loan appraisal, verification of data and loan repayment. v) Individual loans upto Baht.1,00,000 granted- basis of joint liability. Beyond that amount tangible collateral. vi) Shift in lending policy from wholesale to retail lending (from cooperatives and farmer associations to farmers) vii) In 1999 BAAC Act amended and permitted to lend for non-farm activities upto 20% of total portfolio.	i) BRI's original mandate, was to provide finance to people in rural areas. During 1970s allowed to carry out any kind of commercial banking operations in Indonesia. ii) BRI units used to channelise subsidized credit to farmers under BIMAS.
11. Special projects	RRBs participate in government sponsored programmes.	BAAC carries out large number of special agricultural development projects and policy lending programmes. Preferential interest rates for govt. sponsored programmes. BAAC compensated by govt. by way of fees/interest compensation	
12. Lending rates	i) Freedom to set lending rates ii) Decided by the Board.	i) Periodically set and adjusted by Board considering blended cost of funds and operating expenses ii) Political consideration also bearing on level & structure	

		iii) In Aug 1999 Board introduced lending rate structure based on loan quality rather than loan size.	
13. Prudential norms	i) Norms on NPAs, income recognition, asset classification and provisioning prescribed	Strict loan repayment discipline enforced	Units have excellent repayment rate (over 98%) due to an incentive system for repayment.
14. Deposit policies	i) RRBs offer current, savings and fixed deposits. ii) Interest rates fixed by RRBs.	i) Offers a range of savings products aimed at different target groups. ii) Interest rates follow market rates offered by commercial banks.	Offers deposit facilities. Has bi-annual lotteries for SIMPEDES account holders. Unlimited withdrawal facility.
15. Investment Policies	i) Invest in Government and other approved securities. ii) Kept deposits with sponsor banks earlier	Invests in government securities ,etc.	-
16. Other services	-	Provides range of complementary services as per needs of rural low-income clients. Supported establishment of Agricultural Marketing Cooperatives Provides basic insurance services.	i) Since 2002, BRI put online its Unit network ii) Introduced a new facility Simpedes Berkatu as Simpedes with a card+in 2004.
17. Manage - ment Information System	RRBs have to submit information to NABARD/sponsor banks.	i) Has Financial Management Information System (FMIS) ii) Core Banking Systems is in implementation stage	
18. Restructuring	i) Recapitalization of RRBs. ii) Other initiatives taken	Done in 1980sfrom agriculture to diversified rural bank.	Restructured in 1984 as profit centres with commercial approach to micro- finance.
19. Others	i) RRBs characterized by large NPAs and low recovery performance. ii) Exempted	i) BAAC has poor recovery performance ii) Exempted from income tax iii) Exempted from minimum reserve	i) One of the largest, most profitable and efficient banks in Indonesia. ii) Successfully realised an IPO and share listing on Nov 10, 2003. iii) Issued a 10 yr. subordinated

	from income tax iii) Has to maintain CRR/SLR	requirements. iv) All branches and provincial offices computerized.	note (for US $ 150 mill) and a subordinated bond Rp. 500 billion.

Annexure V

Recapitalisation, Change of Sponsor bank, Amalgamation and Liquidation of RRBs Legal position and possibilities

1. Capital Structure

1.1.Authorised Capital

The authorized capital of a Regional Rural Bank under Section 5 of the Regional Rural Banks Act (the Act) is Rs. 5 crores. The Central Government may, in consultation with the National Bank and the Sponsor bank increase or reduce the authorized capital (not below Rs. 25 laks).

1.2. Issued Capital

Under Section 6 of the Act, the issued capital of each Regional Rural Bank is required to be fixed by the Central Government in the first instance such that it shall not be less than Rs.25 lakhs and not more than Rs. one crore. The issued capital has to be subscribed by the Central Government, the State Government and the Sponsor bank in the proportion of 50%, 15%, 35% respectively.

Section 6 (3) of the Act authorises the Board of a Regional Rural Bank to increase the issued capital in consultation with the National Bank, the State Government and the Sponsor bank and with the prior approval of the Central Government. This is subject to the further condition that such capital has to be subscribed in the same proportion as the initial capital by the Central Government, the State Government and the Sponsor bank.

1.3. Increase in capital – issues and possibilities

- It is open to the Central Government to raise the authorized capital of any Regional Rural Bank as and when considered necessary after consulting the National Bank and the Sponsor bank concerned as the Act authorizes Central Government to raise the upper limit (of Rs. 5 crores) of authorised capital without any specified limit, in consultation with the National Bank and the Sponsor bank.
- The issued capital can be raised from the present limit of Rs. 1 crore fixed by the Government initially to the current upper limit of authorized capital being Rs. 5 crores by the Board of a Regional Rural Bank. The Board of the Regional Rural Bank has to obtain for this purpose, the approval of the Central Government and has also to consult the National Bank, the State Government and the Sponsor bank. However, the increase in capital is subject to the further condition that the *increased capital has to be subscribed in the same proportion* as the existing capital. This implies that if any of the shareholders, like the State Government or Sponsor bank is not inclined to subscribe to further capital, increase in subscribed capital will not be possible.
- If any one of the three entities holding shares has to *subscribe to capital in excess of the specified proportion*, amendment to the Act would become necessary. This is for the reason that the Act does not have any provision enabling the shareholders to transfer their shares or relinquish their rights over increased capital to or in favour of any of the other share holders or any other person.
- It will be open to the Regional Rural Banks to raise debt capital by way of bonds or debentures as they are authorized to undertake any business specified under Section 6(1) of the B.R. Act in addition to banking like the other banks.

2. Change of Sponsor banks

A Regional Rural Bank may be established by the Central Government under Section 3 of the Act by Notification in the Official Gazette only if requested so to do by a Sponsor bank. A Sponsor bank is defined to mean *a bank* by which such Regional Rural Bank has been sponsored. 'Bank' is not defined in the Regional Rural Banks Act. As such, a Sponsor bank can be any bank coming within the purview of the Banking Regulation Act. It could be a private sector bank or a public sector bank or a co-operative bank. There is no provision in the Act for transfer of sponsorship from one Sponsor bank to another. Change of Sponsor bank by transfer of shares is also not envisaged as there is no provision in the Act for transfer of shares. However, change of sponsor bank can be achieved as a result of amalgamation (See Para 3).

3. Amalgamation

3.1 **Power to order amalgamation**

Specific provisions have been made under Section 23 A of the Act for the Central government to effect amalgamation of Regional Rural Banks. Accordingly, the Central Government, may, after consultation with the National Bank, the State Government concerned and the Sponsor bank amalgamate two or more Regional Rural Banks into a single Regional Rural Bank in public interest or in the interest of development of the area served by the Regional Rural Banks or in the interest of Regional Rural Banks themselves by notification in the Official Gazette. The constitution, property, powers, rights and liabilities of the transferee RRB shall all be as specified in the Notification. The provisions of Section 23A relating to amalgamation leave the details of amalgamation to the Central Government (in all matters except for certain staff matters) which may be specified in the Notification. Thus, the Act empowers the Central Government to amalgamate any two or more Regional Rural Banks into a single RRB after consultation with the State Government, the National Bank and the Sponsor bank.

3.2 RRBs with Common Sponsor bank

Amalgamation of two Regional Rural Banks sponsored by the same bank will not affect the interests of the Sponsor bank or State Government and involve only the integration of the business of two banks. The area of operation will have to be redefined to cover that of both the erstwhile banks. Accordingly, this would be the easiest option available for merger of two or more RRBs.

3.3 RRBs with different Sponsor Banks

Where Regional Rural Banks sponsored by two different banks are sought to be merged within the same State, the shareholding of one of the Sponsor banks will have to be vested in the other under the Notification and the directors appointed by that Sponsor bank will have to be withdrawn (as there is no provision for two Sponsor banks). The issue of any compensation to the outgoing Sponsor bank will have to be settled in consultation with the Sponsor bank and specified in the Notification. As the Central Government has only a duty to consult and concurrence of the Sponsor banks is not a statutory requirement, it will be open to the Central Government to decide the matter of compensation and provide for in the Notification, although it would be advisable to act on consensus to avoid any dispute or litigation.

3.4 Regional Rural Banks in different States

Regional Rural Banks, under Section 3 of the Act, are required to be established 'in a State or Union Territory' and operate within the local limits specified in the Notification. Consequently , the area of operation of a Regional Rural Bank has to be confined to a State and interstate Regional Rural Banks are not envisaged. The State Government apart from holding 15% of the share capital has also the power to appoint two directors on the Board of a Regional Rural Bank. Further, in inter- state merger, the transfer of shares held by one State Government to the other will be involved, as the Act does not envisage more than one State Government to be the shareholder of a Regional Rural Bank. Hence, in the absence of specific provisions in the Act, the merger of Regional Rural Banks located in two different States may not be envisaged under Section 23A. However, if a view is taken that Section 3 of the Act deals only with the initial establishment of a Regional Rural Bank to be located in one State or Union Territory and that while exercising powers under Section 23A, the provisions of section 3 are not applicable, it would be possible to merge two banks with contiguous areas of operation situated in different states. As the transfer of shares of one of the State Governments to the other becomes necessary, the shares may be transferred to/vested in the State where the Regional Rural Bank has its headquarters. Further, the directors appointed by the outgoing State Government will also have to be excluded from the merged entity. In that case, the two State Governments have to agree to the deal as in the absence of concurrence any Notification merging the banks might lead to dispute/litigation. In this circumstances, it would be advisable that the mergers may be limited to RRBs located within the same state.

4. Liquidation

The provisions relating to winding up of companies does not apply to Regional Rural Banks. Under Section 26, any Regional Rural Bank can be liquidated by the Central Government by an order directing liquidation and specifying the manner of such liquidation. The power of the Central Government relating to liquidation are very wide as the details are left to be decided by the Government .

5. <u>Conclusion :</u>

Options Available

In short, for recapitalisation and restructuring of the RRBs within the existing legal framework, the options available are to -

- increase the issued capital if the existing shareholders, the Centre, the State and the sponsor bank are willing to subscribe thereto

  or

  raise debt capital by way of bonds / debentures;

- amalgamate weak / uneconomic RRBs under the same sponsor bank or under different sponsor banks with other RRBs within the same State

- liquidate unviable RRBs when other options are not feasible.

Annexure VI

Road map for Regional Rural Banks

Introduction

Regional Rural Banks (RRBs) were conceived as vehicles which would blend the professionalism of commercial banks' with the local touch to take care of the various financial needs of the target group in the rural sector. However, RRBs as a credit delivery channel to the targeted rural poor seems to be less successful. At present, 40 of the 196 RRBs are in losses and the gross NPAs are at 12.63 per cent, aggregating around Rs. 3,300 crores at the end of 31.3.2004; portraying a none too healthy position.

The other prerequisites for repositioning / reviving RRBs are improving their efficiency by suitably calibrating the business model – governance, operational and supervisory practices, supported by well trained / motivated staff with the right attitude.

2. Targetted approach

State-wise analysis indicates that the maximum number of loss incurring RRBs are situated predominantly in the States of Bihar (9 out of 16), Jharkhand (3 out of 6) and Orissa (4 out of 9). Likewise, sponsor bank-wise analysis reveals that the maximum number of loss incurring RRBs are accounted for by SBI and Central Bank of India.

If the aforementioned loss-incurring RRBs are tackled, the overall picture of RRBs in the country would dramatically improve.

3. Framework for Re-organising and revitalising RRBs

The objective of the exercise is to ensure that no weak RRBs would exist at the end of a reasonable period say 4 years.

The roadmap for repositioning RRBs can be drawn in two phases. In the first phase, a time limit of say upto 1 – 2 years may be given for the market forces to restructure the RRBs. Thereafter, in the second phase, RBI may directly intervene to correct the situation. HR issues may well turn out to be the biggest stumbling block in the path of consolidation.

3.1. First Phase

In the first phase, the RRBs mentioned at para 2 above need to be tackled invariably to improve the overall scenario. The respective sponsor banks and the State Governments may be asked to actively consider merger of the RRBs, preferably in contiguous districts, to reap the benefits of economies of scale / scope. The mergers may be between RRBs of the same sponsor bank or different banks and left purely to the participants to be considered on the merits of each case. The mergers between RRBs of two different banks would involve change of the sponsor bank and when contiguous districts are involved, it may also involve merger of RRBs in two states as per extant legal provisions. RBI and NABARD would play a pro-active role during this period.

During the first phase involving consolidation of the sector through merger of RRBs and for at least a couple of years after merger, the new RRBs (merged entities) would pass through a turbulent period. This would arise basically due to the cultural and HR issues emanating out of merger of different entities. Suitable administrative and operational planning, before each case of merger would be vital, to avoid / minimize issues / tensions arising out of either initial resistance or agitations subsequent to the merger, which may torpedo such consolidation efforts. Para 5.1 below details some of these aspects.

3.2 **Second Phase**

In the second phase, in respect of all weak RRBs, RBI may enter into an agreement with the respective sponsor banks and rope in the concerned State Government, if feasible. The agreements should involve **annual action plans** on the lines of those which were entered into in the case of weak public sector banks in the early 1990s, containing certain specific parameters in respect of which improvement has to be brought about.

In case the RRBs do not turnaround within a specified pre-set time limit, the same may be liquidated, subject to extant legal provisions. The fact that such RRBs would be liquidated needs to be made explicit, ex ante i.e., before each merger, so that all the stakeholders, especially the staff are aware. It is also felt that such a message would goad the staff in particular, in going all-out to put their best efforts to turn around the concerned RRBs. In case any of the State Government wants to opt out of any RRB, it may be allowed to do and its share may be picked up either by another State Government / Central Government or sponsor bank, subject to extant legal provisions.

At the end of phase I, after RRBs would have achieved the critical size, a Standing Committee may be constituted, to function initially for atleast a year or so, in each of the State headed by RD of RBI Regional Office and members from NABARD and the concerned departments in State Government, to devise strategies for ensuring continued sustainability of RRBs through regulatory strengthening and business development, keeping in view the unique characteristics of the concerned states. After the functioning of RRBs stabilizes, the Committee's future role could be decided.

4. <u>Governance and Regulatory issues</u>

- The Board of Directors of RRBs needs to be broadbased and professionalised by including experts from the fields of accountancy, rural / micro finance areas besides those who have specialized knowledge in the small / cottage / tiny industries / specialized agricultural and allied activities thriving in the area of operation of a given RRB. Hence, the composition of the Board should be RRB-specific, such that the members could really be of value addition to the concerned RRB, to function innovatively in its area of operation.

- Sponsor banks should be asked to maintain arms length distance with the RRBs to avoid any potential conflict of interest.
- After the first phase, compulsory licensing of RRBs by RBI may be used a regulatory tool to strengthen the system.
- The authorized and paid up capital of RRBs may be augmented from Rs.1 crore to Rs. 25 crores respectively, on a need-based case-to-case basis, by proportionately increasing the share/s of Central Government, State Government and sponsor bank.
- Since capital adequacy requirements ensure minimum balance sheet strength, appropriate CRAR may be prescribed for RRBs. To start with, it may be fixed at 8% as per Basle I norms.
- The sponsor bank as well as Central and State Governments may be allowed to issue recapitalization bonds on the lines of those issued for PSBs. This may be an acceptable measure to the respective Governments, from a fiscal point of view.

- To diversify the sources of funds available, RRBs which fulfill certain minimum criteria may be allowed to issue bonds which could be given SLR status to promote subscription thereto by the various players.
- NABARD may be advised to explore the feasibility of reducing the rate of interest charged on refinance. This would improve the profitability of RRBs.

5. Business Development

Rural India does provide ample opportunities for profitable banking. For instance, several creative ways of doing business in rural areas in India for the under privileged sections of the society have been highlighted by C.K. Prahalad in the book "The Fortune At The Bottom Of The Pyramid". ICICI Bank's example of its social initiative programme in carrying forward the Rural Development Initiative of the erstwhile Bank of Madura, after its merger with the former, provides an appropriate example to prove that financing the poor represents profitable banking. Since the target group for financing by RRBs is predominantly the segment representing the "bottom of the pyramid;" financing it can be done profitably. Likewise, two volumes published by the National Innovation Foundation, 'India Innovates' and `Down to Earth' magazine of The Centre for Science and Environment contain numerous examples of innovations and examples in rural India; which do provide reasonably good opportunities for financing by RRBs, apart the normal farming / other allied activities carried on in the rural areas. In the circumstances, in order to reposition the RRBs to take advantage of such latent opportunities, the primary prerequisite would be a paradigm shift in the mind set of all concerned, to the fact that financing of the poor is a profitable activity.

5.1 HR issues

As already stated, HR issues are critical in the entire exercise and the following are a few suggestions in this regard.

- The sponsor bank should be granted full autonomy in all areas relating to HRM viz., recruitment, posting, transfer, etc., in order to be able to deal with all situations arising out of mergers mentioned above.
- Sponsor bank should be mandated to post appropriate number of specialized staff to help the RRBs in professionalizing their advances portfolio, ALM etc.

- The Chairman and other officials posted to RRBs should have a fixed tenure of 3 / 5 years, after which they are to be repatriated to the sponsor bank. Instances have been cited where officials from sponsor banks were posted successively from one RRB to the other, thereby adversely affecting their morale and motivation levels.
- The quality and skill sets of RRB staff, in general, are widely held to be rather poor. Training is crucial in this context. Training institutions like CAB, NIRD etc. should develop dedicated programmes on business development, risk management, etc,. Certain factors mentioned at paragraph 5 also need to be highlighted in such courses.
- as a measure of staff motivation, awards may be instituted in each state for the best run RRBs, the criteria and the modalities of which could be worked out.

5.2 General

- To increase the non interest income, RRBs may be asked to actively consider distribution of mutual fund / insurance etc. products and also participate in referral arrangement therefor.

- The ceiling of 5% on housing loans for RRBs needs to be revised upwards, say upto 10%, because some of them faced problems in Gujarat in the wake of earthquake tragedy. Further, this measure would also go to alleviate, in a certain measure, the shortage of dwelling units in rural India.
- With a view to increasing the avenues for credit deployment, RRBs may be allowed to participate in consortium lending.
- The provisions of SRAEFESI Act, 2002 may be extended to RRBs, to bring about the necessary discipline in credit areas, as they are expected to increase in size and play an enhanced role in credit deployment.
- State Governments may empower RRBs to collect their taxes.
- RRBs subject to certain set criteria can be considered for currency chest facility; which has its own advantages in terms of business development and visibility to RRBs in predominantly rural areas.
- Sponsor banks may be advised to improve the visibility of RRBs sponsored by them, wherever required, in a suitable manner. Sponsor banks may be asked to foot the bill in this regard.

- The sponsor bank should foster RRBs to specialize in financing of those activities which are most important in their respective command areas. NABARD may be advised that their Potential Linked Plans(PLPs) for the each district, should incorporate the details thereof including those mentioned at paragraph 5 above. If possible, a separate chapter pertaining to RRBs detailing the potential areas of economic activities, which can be financed by them in the district may be included in the PLP, to be of real guide to RRBs in lending activities.
- RRBs may also be asked to actively consider ways and means fostering organic links with organizations which are active in rural development like ITC, Jain Irrigation, etc., local associations representing the interests of the local manufacturers/producers etc, which would help improve their business potential. Several successful initiatives in rural India like ITC's e-choupal, Hindusthan Lever's soap market initiatives and Annapurna success story, etc., provide avenues for innovative financing.
- At the national level, a policy may be thought of with the concurrence of Central Government to close commercial bank branches (including that of the sponsor bank) in those rural areas where RRBs are present. This would increase the business potential of the RRBs. However, such closures should be done only after RRBs are suitably strengthened to take on the increased business workload.
- RRBs, to be on a sustainable business model in the long run, need risk management (including ALM), albeit on a less sophisticated scale as compared to commercial banks. Hence, certain basic guidelines on risk management may be made applicable to them. Further, to improve the tools available for their balance sheet management, RRBs may be encouraged to employ certain instruments like CDs / IBPCs, etc., to give the latitude required in such an exercise.

6. Conclusion

International experience of restructuring rural financial institutions indicate that only viable financial institutions with sustainable financial services can increase their outreach. The issue of viability is thus not only of relevance to the health and survival of the institutions but to the poor themselves. Accordingly, since repositioning of RRBs in Indian financial system would warrant major initiatives to be taken to improve their financial viability and sustainability, the suggestions above reflect the same. International experience of various countries with regard to this segment is being looked into, for identifying new ideas / methods, which could be employed in the Indian context with suitable modifications. However, resolving HR issues would be the key to such an exercise.

Annexure A

Suggestions received during Governor's meetings with Chairmen/Nominee Directors of RRBs

- Wherever there are two or more RRBs sponsored by the same bank in contiguous regions, the feasibility of merging the same should be examined. Some proposals have already been forwarded to Central Government for merging of RRBs sponsored by the same bank in a few States.

- RDs to constitute in each State, a small Group comprising the RD of RBI, Officer in-Charge of NABARD, a senior representative each of the Sponsor Banks and the convener bank of SLBC, to monitor the flow of agricultural advances and advances granted by RRBs on a monthly basis. Empowered Committees for monitoring the performance of RRBs have been constituted in all Regional Offices.

- The feasibility of revising the statutory ceiling of rupees one crore on the authorized capital of the RRBs prescribed under the provisions of the RRB Act, 1976, by issuing an ordinance by the Government of India should be examined expeditiously.

- The management of the investment portfolio of the RRBs could be entrusted to the sponsor banks for improving the returns, for which, if necessary, appropriate service charges could be levied by the sponsor banks.

- The scale of finance permissible for RRBs was determined as per 1997 circular of RBI, which should be reviewed urgently. NABARD has already issued revised guidelines on the scale of finance.

- The RRBs which have exceeded the investment ceiling of 40% should be asked to submit action plan to bring the investments within the prescribed limits.

- RRBs may formulate a scheme to introduce rural Credit Card, on experimental basis, following a simplified procedure, with deregulated rate of interest and a prescription for minimum monthly repayment without undue emphasis on the end use of funds.

- RRBs should formulate credit plans for each year within 3 year rolling plan specifying agriculture component of the plan.

- RRBs should take lead in extending credit in those areas where DCCBs are weak/closed.

- State Governments should not discriminate between RRBs and Cooperative Banks in respect of stamp duty, mortgage fee, taxes, etc. besides documentation.

- RRBs should devise innovative credit products like General credit Card to suit requirement of rural clientele. They should adopt a holistic approach in fixing the credit limits of the rural farmers taking care of the consumption needs of their family. Formulation of new schemes should be done on an ongoing basis.

- Documentation may be simplified and the best RRBs experience be extended to other RRBs.

- Government may extend relaxation to RRBs from Limitation Act as is the case with cooperatives.

- A relook is necessary on the issue of supervision of RRBs.