

**TADEPALLIS
CHEYUTHA VENTURE CATALYSTS PRIVATE LIMITED**

REVIEW OF PERFORMANCE OF RRBS DURING FY 2020-21

**PART I
PERFORMANCE REVIEW**

A. INTRODUCTION

REGIONAL RURAL BANKS (RRBS) WERE SET UP AS REGIONAL BASED AND RURAL ORIENTED INSTITUTIONS WITH CAPITAL CONTRIBUTED BY GOVERNMENT OF INDIA, STATE GOVERNMENT AND SPONSOR BANK UNDER THE REGIONAL RURAL BANKS ACT, 1976. THE BASIC OBJECTIVE OF RRBS WAS TO FUNCTION AS PROFESSIONALLY MANAGED ALTERNATIVE CHANNEL FOR CREDIT DISPENSATION TO SMALL AND MARGINAL FARMERS, AGRICULTURAL LABOURERS, SOCIOECONOMICALLY WEAKER SECTION OF POPULATION FOR DEVELOPMENT OF AGRICULTURE, TRADE, COMMERCE, SMALL SCALE INDUSTRY AND OTHER PRODUCTIVE ACTIVITIES IN RURAL AREAS. RRBS ARE EXPECTED TO MOBILISE RESOURCES AND DEPLOY THE SAME LOCALLY, THUS PLAYING A SIGNIFICANT ROLE IN DEVELOPING AGRICULTURE AND RURAL ECONOMY.

THE 'REVIEW OF RRBS DURING FY 2020-21' IS DIVIDED INTO TWO PARTS VIZ., PART I – REVIEW OF THE FINANCIAL PERFORMANCE OF RRBS, AND PART II – POLICY INITIATIVES AND SUPPORT FOR DEVELOPMENT OF RRBS.

B. FINANCIAL PERFORMANCE OF RRBS DURING FY 2020-21

COMPARATIVE POSITION OF KEY PERFORMANCE INDICATORS OF RRBS, ARE FURNISHED IN ANNEXURE-I

1. AGENCY-WISE CREDIT FLOW TO AGRICULTURE

THE TOTAL CREDIT FLOW TO AGRICULTURE, AGENCY-WISE, DURING THE LAST FOUR-YEAR PERIOD BY ALL AGENCIES IS GIVEN BELOW. IT MAY BE SEEN FROM TABLE I THAT THE SHARE OF RRBS IN GLC (GROUND LEVEL CREDIT) FLOW TO AGRICULTURE WAS 12.1% IN 2020-21.

2. TOTAL AGRI. CREDIT FLOW–TARGET AND ACHIEVEMENT

DURING THE YEAR 2020-21, RRBS HAVE ACHIEVED 99 PERCENT OF THEIR GLC TARGET. THE ACHIEVEMENT AGAINST THE TARGETS UNDER GLC DURING THE LAST FOUR YEARS IS GIVEN IN TABLE II.

3. BRANCH NETWORK

AS ON 31 MARCH 2021, THERE WERE 43 RRBS SPONSORED BY 12 COMMERCIAL BANKS OPERATING IN 26 STATES (IN ALL STATES EXCEPT SIKKIM AND GOA) AND THREE UNION TERRITORIES (JAMMU & KASHMIR, LADAKH AND PUDUCHERRY). RRBS HAD A NETWORK OF 21,856 BRANCHES (21,847 BRANCHES DURING PREVIOUS YEAR) COVERING 696 DISTRICTS. 92% OF THE BRANCHES WERE IN THE RURAL AREAS/SEMI-URBAN AREAS.

4. BALANCE SHEET

CATALYSED BY CAPITAL INFUSION AND BOLSTERED BY ROBUST GROWTH IN BORROWINGS (24.8%) AND DEPOSITS (9.7%) ON THE LIABILITIES SIDE, THE BALANCE SHEET WITNESSED A HEALTHY GROWTH OF 10.8% DURING FY 2020-21 AND STOOD AT RS. 6.52 LAKH CRORE AS ON 31 MARCH 2021.

THE GROWTH IN AVAILABILITY OF FUNDS ON THE LIABILITIES SIDE HAD A VERY FAVOURABLE IMPACT ON THE GROWTH OF CREDIT FROM THE RRBS. THE GROSS LOANS AND ADVANCES OF THE RRBS GREW BY OVER 12% DURING FY 2020-21 IN COMPARISON TO THE AVERAGE GROWTH RATE OF 5.3% FOR ALL SCHEDULED COMMERCIAL BANKS (PSBS-3.2%, PRIVATE SECTOR BANKS-8.5%, FOREIGN BANKS- 0.01%). THE CONSOLIDATED BALANCE SHEET OF RRBS IS GIVEN IN ANNEXURE - II.

5. OWNED FUNDS

THE OWNED FUNDS OF RRBS, COMPRISING SHARE CAPITAL AND RESERVES & SURPLUSES WAS ` 38,741 CRORE AS ON 31 MARCH 2021 AND REGISTERED A GROWTH OF 11.8 PER CENT DURING FY 2020-21. THE

INCREASE IN OWNED FUNDS HAS BEEN DUE TO 30 RRBS REPORTING PROFIT TO THE TUNE OF ` 3,550 CRORE AND DUE TO INCREASE IN SHARE CAPITAL ON ACCOUNT OF RECAPITALISATION.

6. DEPOSITS

DEPOSITS, WHICH CONSTITUTE OVER 80% OF THE SOURCE OF FUNDS OF RRBS, GREW BY 9.7% DURING THE FY 2020-21 AND STOOD AT RS. 5.25 LAKH CRORE. AS PER RBI DATA, THE DEPOSITS OF BANKING SECTOR AS A WHOLE WITNESSED A GROWTH OF 12.3% DURING FY 2020-21 AND STOOD AT RS. 154.43 LAKH CRORE AS ON 31 MARCH 2021.

THE SHARE OF LOW-COST DEPOSITS (CASA DEPOSITS) marginally improved during the year from 53.3% as on 31 MARCH 2020 to 53.8% as 31 MARCH 2021. THE SHARE OF CASA DEPOSITS OF SCHEDULED COMMERCIAL BANKS AS A WHOLE WAS 43.7% AS ON 31 MARCH 2021.

AS ON 31 MARCH 2021, 22 RRBS HAD DEPOSIT LEVELS HIGHER THAN ` 10,000 CRORE AND ACCOUNTED FOR 80% OF THE AGGREGATE DEPOSITS. 11 RRBS HAD DEPOSITS BETWEEN ` 5,000 CRORE AND ` 10,000 CRORE. THUS, 33 RRBS HAD DEPOSITS OF MORE THAN ` 5,000 CRORE EACH, WHICH ACCOUNTED FOR 96% OF AGGREGATE DEPOSIT OF ALL RRBS. WHILE BARODA U.P. BANK HAD THE HIGHEST DEPOSIT AT ` 52,391 CRORE, NAGALAND RB HAD THE LOWEST DEPOSIT SIZE OF 117 CRORE.

THE SHARE OF CASA TO TOTAL DEPOSITS VARIED BETWEEN 23% (SAPTAGIRI GRAMEENA BANK) TO 79% (MANIPUR RURAL BANK).

TABLE IV: RANGE OF CASA DEPOSITS

AS ON 31 MARCH 2021, 8 RRBS VIZ., ARYAVART BANK, ARUNACHAL PRADESH RURAL BANK, ASSAM GRAMIN VIKASH BANK, CHHATTISGARH RAJYA GRAMIN BANK, MANIPUR RURAL BANK, MEGHALAYA RURAL BANK, PRATHAMA U.P GRAMIN BANK AND UTTAR BIHAR GRAMIN BANK HAD CASA DEPOSITS HIGHER THAN 70%. 9 RRBS HAD CASA DEPOSITS LESS THAN 40 PER CENT AND 8 OF THEM OPERATED IN SOUTHERN REGION OF THE COUNTRY.

7. BORROWINGS

BORROWINGS WITNESSED A ROBUST GROWTH OF 24.8% DURING THE FY 2020-21 AND STOOD AT RS. 67,864 CRORE AS ON 31 MARCH 2021. AIDED BY THE SPECIAL LIQUIDITY FACILITY (SLF) AND FEW RELAXATIONS IN ELIGIBILITY CRITERIA FOR AVAILING REFINANCE FROM NABARD, THE BORROWINGS OF RRBS FROM NABARD WITNESSED A SIGNIFICANT GROWTH OF 33.5% DURING FY 2020-21. THE SHARE OF BORROWINGS FROM NABARD INCREASED TO 91% OF THE TOTAL BORROWINGS OF THE RRBS AS ON 31 MARCH 2021.

8. INVESTMENTS

THE TOTAL INVESTMENTS OF RRBS WHICH STOOD AT `2,50,859 CRORE AS ON 31 MARCH 2020 INCREASED BY 9.9% TO `2,75,658 CRORE AS ON 31 MARCH 2021. THE SHARE OF SLR SECURITIES IN THE TOTAL INVESTMENTS OF RRBS WITNESSED A SHARP INCREASE FROM 57% TO 70% DURING FY 2020-21. THE SHARE OF FUNDS DEPLOYED IN THE TERM DEPOSIT ACCOUNTS HAS DECLINED FROM 37 % TO 26% DURING FY 2020-21.

9. LOANS OUTSTANDING

AS PER RBI DATA, BANK CREDIT OF THE SCHEDULED COMMERCIAL BANKS AS A WHOLE GREW BY 5.3% DURING THE FY 2020-21 TO RS. 110.8 LAKH CRORE AS ON 31 MARCH 2021. THE CREDIT GROWTH OF RRBS AT OVER 12% WAS MORE THAN DOUBLE THE CREDIT GROWTH OF BANKING SECTOR AVERAGE.

AS ON 31 MARCH 2021, OF THE GROSS LOANS & ADVANCES OF ₹ 3.34 LAKH CRORE, OVER 90% WAS TOWARDS PRIORITY SECTORS IDENTIFIED BY RBI. 70% OF THE LOAN PORTFOLIO OF RRBS WAS TOWARDS AGRICULTURE SECTOR, FOLLOWED BY MSME (12%), HOUSING (7%) & EDUCATION (1%). AS A RESULT OF A HEALTHY CREDIT GROWTH DURING FY 2020-21, THE CD RATIO OF RRBS, AS A WHOLE, IMPROVED FROM 62% AS ON 31 MARCH 2020 TO 64% AS ON 31 MARCH 2021.

9.1 PERFORMANCE UNDER PRIORITY SECTOR LENDING (PSL) NORMS

RBI VIDE MASTER DIRECTIONS DATED 4 SEPTEMBER 2020 HAS ISSUED REVISED GUIDELINES IN RESPECT OF PRIORITY SECTOR LENDING (PSL) FOR COMMERCIAL BANKS, INCLUDING RRBS. THE FOLLOWING ARE THE MAJOR CHANGES FOR RRBS:

1. THE GUIDELINES FOR 'NON-ACHIEVEMENT OF PRIORITY SECTOR TARGETS' ON THE LINES OF OTHER COMMERCIAL BANKS HAS MADE APPLICABLE TO RRBS. ACCORDINGLY, RRBS INCURRING ANY SHORTFALL IN LENDING AGAINST THEIR PSL TARGET/SUB-TARGETS FROM THE FINANCIAL YEAR 2020-21 ONWARDS WILL BE REQUIRED TO MAKE CONTRIBUTIONS TOWARDS RIDF AND OTHER REFINANCE FUNDS, AS MAY BE DECIDED BY RBI.
2. TARGETS PRESCRIBED FOR "SMALL AND MARGINAL FARMERS" AND "WEAKER SECTIONS" ARE BEING INCREASED IN A PHASED MANNER. THE INCREASE IN TARGETS UNDER SF/MF CATEGORY IS SET TO BENEFIT THE RRBS DUE TO THE INCREASED DEMAND FOR PRIORITY SECTOR LENDING CERTIFICATES (PSLCS) UNDER SF/MF CATEGORY.
3. LENDING TOWARDS SF/MF CONSTITUTES AROUND 47 PERCENT OF GROSS LOANS OUTSTANDING OF RRBS AND RRBS HAD ISSUED PSLCS AMOUNTING TO RS. 78,837 CRORE UNDER SF/MF CATEGORY DURING FY 2020-21. THE FEE INCOME EARNED BY RRBS AS A WHOLE IN FY 2020-21 THROUGH ISSUING PSLCS WAS RS. 2,069 CRORE, OF WHICH FEE INCOME THROUGH ISSUANCE OF PSLCS UNDER SF/MF CATEGORY ALONE WAS RS. 1,378 CRORE (67%).
4. THE TOTAL VOLUME OF PSLCS TRADED BY RRBS DURING FY 2020-21 WAS RS. 1.93 LAKH CRORE. DURING THE FY 2020-21, THE TOTAL VOLUME OF PSLCS TRADED BY RRBS GREW BY 26% RRBS ACCOUNTED FOR 33% OF THE TOTAL VOLUME OF PSLCS TRADED BY ALL BANKS.
5. RRBS HAVE BEEN MAJOR SELLERS OF PSLCS UNDER SF/MF CATEGORY AND AGRICULTURE CATEGORY. SINCE THE FEE (%) IS MORE UNDER SF/MF AND AGRI. CATEGORY, RRBS HAVE BEEN ISSUING PSLCS UNDER THESE CATEGORIES AND ARE PURCHASING PSLCS UNDER GENERAL CATEGORY WHERE THE FEE (%) IS LESS.
6. RBI HAS REMOVED THE CRITERIA WHICH MANDATED RRBS TO ISSUE IBPCS ONLY IN EXCESS OF 75% OF THEIR OUTSTANDING ADVANCES.
7. THE ACHIEVEMENT UNDER VARIOUS PSL TARGET/SUB-TARGETS SHALL BE COMPUTED BE COMPUTED ON THE BASIS OF THE ANBC (ADJUSTED NET BANK CREDIT) AS APPLICABLE AS ON THE CORRESPONDING DATE OF THE PRECEDING YEAR. ANBC SHALL DECREASE WITH INCREASE IN PSLCS ISSUED BY THE RRBS. AS A RESULT, THE BASE ON WHICH THE PSL ACHIEVEMENT IS COMPUTED SHALL ALSO DECREASE WHEN RRBS ISSUE PSLCS/IBPCS.

10. WORKING RESULTS

PROFITABILITY

AFTER TWO CONSECUTIVE YEARS OF LOSSES IN FY 2018-19 & FY 2019-20, RRBS, AS A WHOLE, REPORTED A CONSOLIDATED NET PROFIT OF RS. 1,682 CRORE DURING FY 2020-21. RRBS REPORTED CONSOLIDATED NET LOSSES IN FY 2018-19, FOR THE FIRST TIME SINCE FY 1996-97 BECAUSE OF IMPLEMENTATION OF REGIONAL RURAL BANK (EMPLOYEES') PENSION SCHEME, 2018 WITH EFFECT FROM 1 APRIL 2018 AFTER THE VERDICT OF THE HON'BLE SUPREME COURT. CONSIDERING HUGE PENSION LIABILITY ON ACCOUNT OF IMPLEMENTATION OF THE PENSION SCHEME, RBI HAS PERMITTED RRBS TO AMORTISE THEIR TOTAL PENSION LIABILITY OVER A PERIOD OF FIVE YEARS FROM 2018-19, SUBJECT TO A MINIMUM OF 20 PER CENT OF THE PENSION LIABILITY ASSESSED EVERY YEAR.

DURING FY 2020-21, 30 RRBS POSTED PROFIT OF ₹ 3,550 CRORE AND 13 RRBS INCURRED LOSSES OF ₹ 1,867 CRORE. 5 RRBS WHICH INCURRED LOSSES DURING FY 2019-20 TURNED AROUND AND POSTED PROFITS DURING FY 2020-21. THE REASONS FOR IMPROVEMENT IN PROFITABILITY OF RRBS DURING FY 2020-21 ARE PROVIDED BELOW:

1. NET INTEREST MARGIN IMPROVED BECAUSE OF GREATER DECLINE IN COST OF FUNDS VIS-À-VIS THE DECLINE IN YIELD ON ASSETS.
2. HEALTHY GROWTH IN MISCELLANEOUS INCOME- RRBS HAVE EFFECTIVELY UTILISED THEIR HIGH PRIORITY SECTOR LENDING (PSL) PORTFOLIO (PARTICULARLY THEIR AGRI. & SF/MF PORTFOLIO) TO AUGMENT THEIR MISCELLANEOUS INCOME. DURING THE FY 2020-21, THE TOTAL VOLUME OF PRIORITY SECTOR LENDING CERTIFICATES (PSLCS) TRADED BY RRBS GREW BY 26% TO RS. 1.92 LAKH CRORE AND RRBS ACCOUNTED FOR 33% OF THE TOTAL VOLUME OF PSLCS TRADED BY ALL BANKS. THE PHASED INCREASE IN SF/MF TARGETS ANNOUNCED BY RBI UNDER PSL GUIDELINES MAY FURTHER HELP THE RRBS IN MONETISING THEIR SF/MF PORTFOLIO THROUGH ISSUING PSLCS.
3. IMPROVEMENT IN ASSET QUALITY AND CD RATIO.

VIABILITY

MAJORITY OF RRBS, I.E. 26 OF 43 RRBS WERE HAVING SUSTAINABLE VIABILITY (IN PROFIT WITH NO ACCUMULATED LOSS) AS ON 31 MARCH 2021. 4 RRBS POSTED PROFIT DURING FY 2020-21 BUT HAD ACCUMULATED LOSSES FROM EARLIER YEARS. 13 RRBS HAD INCURRED LOSSES DURING FY 2020-21 AND HAD ACCUMULATED LOSSES. AS, ON 31 MARCH 2021, 17 RRBS CARRIED ACCUMULATED LOSSES OF 8,264 CRORE AS AGAINST THE ACCUMULATED LOSSES OF ` 6,467 CRORE REPORTED BY 17 RRBS AS ON 31 MARCH 2020.

OF THE 13 RRBS WHICH INCURRED LOSSES DURING FY 2020-21 AND CARRIED ACCUMULATED LOSSES AS ON 31 MARCH 2021 5 WERE IN EASTERN REGION, 3 WERE IN NORTH-EASTERN REGION, 2 EACH WERE IN NORTHERN AND CENTRAL REGION AND ONE WAS IN WESTERN REGION. ALL RRBS IN SOUTHERN REGION HAD CURRENT/SUSTAINABLE VIABILITY AS AT THE END OF FY 2021.

11. FINANCIAL COSTS AND MARGINS

FACILITATED BY IMPROVEMENT IN NET INTEREST MARGIN (%) AND MISCELLANEOUS INCOME (%), THE PROFITABILITY OF RRBS MEASURED IN TERMS OF RETURN ON ASSETS (%) TURNED AROUND FROM -0.40% DURING FY 2019-20 TO 0.27% DURING FY 2020-21. A COMPARISON OF COST AND MARGINS FOR LAST THREE YEARS IS GIVEN IN THE FOLLOWING TABLE:

12. ASSET QUALITY

CONSOLIDATED GROSS NON-PERFORMING ASSETS (GNPA) OF RRBS HAS DECLINED IN PERCENTAGE TERMS FROM 10.4% TO 9.4% DURING THE FY 2020-21. THE NET NPA HAS DECLINED IN BOTH ABSOLUTE AND PERCENTAGE TERMS DURING FY 2020-21. THE PROVISION COVERAGE RATIO (PCR) HAS SHOWN A CONTINUOUS IMPROVEMENT OVER THE PREVIOUS 3 YEARS. 28 RRBS HAVE REPORTED LESSER GNPA (%) AS ON 31 MARCH 2021 VIS-A-VIS THE POSITION AS ON 31 MARCH 2020. OF THESE 28 RRBS, 18 RRBS HAVE REPORTED ABSOLUTE REDUCTION IN GNPA (AMOUNT). WHILE THE SUBSTANDARD ASSETS DECLINED BY 7.9% DURING FY 2020-21, THE DOUBTFUL AND LOSS ASSETS INCREASED BY 4.9 % AND 4.8 % RESPECTIVELY.

THE MEASURES TAKEN FOR REDUCTION IN NPAS INCLUDE THE FOLLOWING:

1. REVIEW OF STATUS OF NPAS HAS BEEN IN THE AGENDA OF ALL THE MEETINGS CONDUCTED BY NABARD TO REVIEW PERFORMANCE OF RRBS, IN WHICH ALL THE STAKEHOLDERS INCLUDING GOVERNMENT OF INDIA PARTICIPATE.
2. RRBS HAVING INTER ALIA GROSS NPAS OF MORE THAN 10% HAVE BEEN IDENTIFIED AS 'RRBS IN FOCUS' AND ADVISED TO PREPARE MONITORABLE ACTION PLANS TO REDUCE THE LEVEL OF NPA AND REVIEW THE SAME IN THE BOARD MEETINGS.
3. REVIEW MEETINGS OF THE 'RRBS IN FOCUS' ARE CONDUCTED TO REVIEW THE POSITION AND TAKE REMEDIAL MEASURES
4. NABARD HAS DIRECTED ALL RRBS TO COMPULSORILY ON-BOARD INTO THE SYSTEM GENERATED NPAS PLATFORM.
5. RRBS HAVE INFORMED IN THE REVIEW MEETINGS THAT NPA MANAGEMENT CELLS HAVE BEEN CREATED IN RRBS TO MONITOR THE RECOVERY AND ENSURE TARGETED REDUCTION IN NPAS.
6. AT RRB LEVEL, ALL CHAIRMEN WITH THE ASSISTANCE OF THEIR REGIONAL MANAGERS ARE MONITORING BRANCH WISE NPA POSITION NOT ONLY TO IMPROVE THE POSITION, BUT ALSO TO MAKE EFFORTS TO CONTAIN THE GROWTH IN NPAS.
7. ALL RRBS ON A REGULAR BASIS ORGANIZE RECOVERY CAMPS AND FOLLOW OTHER RECOVERY STRATEGIES TO REDUCE THE LEVEL OF NPAS.

13. PRODUCTIVITY

THE PRODUCTIVITY OF RRBS, BOTH IN TERMS OF BUSINESS PER BRANCH AND PER EMPLOYEE, HAS SHOWN STEADY IMPROVEMENT OVER THE YEARS AND STOOD AT ` 39.3 CRORE AND ` 9.8 CRORE AS ON 31 MARCH 2021, RESPECTIVELY.

14. CREDIT DEPOSIT RATIO

THE CREDIT DEPOSIT RATIO OF RRBS STOOD AT 64% AS ON 31 MARCH 2021 AS AGAINST 62% AS ON 31 MARCH 2020. THE NUMBER OF RRBS IN DIFFERENT RANGE OF CD RATIO DURING THE PREVIOUS 3 YEARS IS GIVEN IN TABLE BELOW. WHILE THE SOUTHERN AND WESTERN STATES HAD HEALTHY CD RATIO, THE CD RATIO OF RRBS IN EASTERN, NORTH-EASTERN AND CENTRAL STATES WAS VERY LOW.

15. CAPITAL ADEQUACY

AS PER THE REGULATORY STIPULATIONS OF RBI, RRBS HAVE TO MAINTAIN A MINIMUM CRAR OF 9%. 27 RRBS HAD CRAR OF 9% OR MORE AS ON 31 MARCH 2021 WHILE 16 RRBS REPORTED CRAR LESS THAN 9%. THE LIST OF RRBS WITH CRAR LESS THAN 9% IS GIVEN IN TABLE. SYSTEM-WIDE CRAR OF RRBS, MARGINALLY DECLINED FROM 10.3% AS ON 31 MARCH 2020 TO 10.2% AS ON 31 MARCH 2021.

PART II

POLICY INITIATIVES AND SUPPORT FOR DEVELOPMENT OF RRBS

1. INTRODUCTION OF LAF AND MSF FOR RRBS

IN ORDER TO PROVIDE AN ADDITIONAL AVENUE FOR LIQUIDITY MANAGEMENT TO RRBS, RBI VIDE THEIR NOTIFICATION DATED 4 DECEMBER 2020 EXTENDED LIQUIDITY ADJUSTMENT FACILITY (LAF) AND MARGINAL STANDING FACILITY (MSF) TO SCHEDULED RRBS MEETING SPECIFIC CRITERIA.

2. ACCESS TO CALL/NOTICE/TERM MONEY MARKET

RBI VIDE THEIR NOTIFICATION DATED 4 DECEMBER 2020 HAS PERMITTED RRBS TO PARTICIPATE IN THE CALL/NOTICE AND TERM MONEY MARKETS BOTH AS BORROWERS AND LENDERS. THE PRUDENTIAL LIMITS AND OTHER GUIDELINES ON CALL/NOTICE/TERM MONEY MARKETS FOR RRBS SHALL BE THE SAME AS THOSE APPLICABLE TO SCHEDULED COMMERCIAL BANKS.

3. REFINANCE SUPPORT FROM NABARD

NABARD EXTENDS REFINANCE TO BANKS FOR SUPPLEMENTING THEIR RESOURCES FOR SHORT- TERM AND LONG-TERM LENDING. REFINANCE IS EXPECTED TO INCREASE GROUND LEVEL CREDIT AND BOOST CAPITAL FORMATION IN AGRICULTURE.

TO SUPPORT THE CONTINUED FLOW OF CREDIT TO AGRICULTURE AND ALLIED ACTIVITIES, THE RURAL NON-FARM SECTOR IN THE AFTERMATH OF THE COVID-19 PANDEMIC, RBI HAD ANNOUNCED SPECIAL LIQUIDITY FACILITY (SLF) TO NABARD FOR SUPPORTING LENDING OPERATIONS OF RRBS, CO-OPERATIVE BANKS AND NBFC-MFIS.

DURING 2020-21, NABARD DISBURSED TOTAL REFINANCE OF ` 44,975 CRORE TO RRBS, WHICH INCLUDED LONG TERM REFINANCE OF ` 15,157 CRORE AND SHORT-TERM REFINANCE OF ` 29,818 CRORE. THE REFINANCE EXTENDED BY NABARD TO RRBS GREW BY 61% DURING THE FY 2020-21.

FURTHER, NABARD ADOPTED A LIBERAL POLICY TO EXTEND REFINANCE TO RRBS. NABARD APPLIED ITS OWN INTERNAL RISK-RATING TOOL AND EXTENDED REFINANCE TO RRBS THAT WOULD HAVE OTHERWISE BEEN INELIGIBLE.

35 RRBS AVAILED REFINANCE DURING FY 2020-21 (UP FROM 27). RRBS IN EASTERN AND NORTHEASTERN REGIONS ACCOUNTED FOR MOST NEWLY ELIGIBLE RRBS WHICH HAD A FAVOURABLE IMPACT ON REDUCING REGIONAL DISPARITIES IN CREDIT FLOW. NABARD ALSO GAVE SPECIAL INCENTIVES FOR SANCTIONING REFINANCE LIMITS TO RRBS IN EASTERN AND NORTHEASTERN STATES TO ENABLE THEM TO LEND FOR SHORT TERM-SEASONAL AGRICULTURAL OPERATIONS.

4. REVIEW MEETS ON PERFORMANCE OF RRBS

THE PERFORMANCE OF RRBS IS REGULARLY MONITORED BY NABARD. DURING 2020-21, A NATIONAL REVIEW MEETING OF RRBS WAS ORGANISED THROUGH VIRTUAL MEDIUM ON 9 SEPTEMBER 2020.

RRBS MEETING ANY ONE OF THE THREE CRITERIA VIZ. CRAR LESS THAN 10%, GNPA MORE THAN 10 %, HAVING NEGATIVE RETURN ON ASSETS (%) FOR THE LAST TWO CONSECUTIVE YEARS ARE CLASSIFIED AS 'RRBS IN FOCUS'. FOR EFFECTIVE MONITORING OF SUCH WEAK RRBS IDENTIFIED AS 'RRBS IN FOCUS', NATIONAL LEVEL MEETINGS WERE CONDUCTED IN DECEMBER 2020 TO ENABLE THEM TO MAKE NECESSARY COURSE CORRECTIONS IN THEIR MONITORABLE ACTION PLANS (MAPS) AND IMPROVE THEIR FINANCIAL PERFORMANCE. THE MECHANISM OF 'RRBS IN FOCUS' SERVES AS A SIGNAL OF CAUTION TO THE RRBS TO INITIATE REMEDIAL MEASURES TO AVOID FURTHER DETERIORATION OF FINANCIALS AND SLIPPAGE INTO THE PCA FRAMEWORK.

BASED ON THE AUDITED FINANCIAL POSITION AS ON 31 MARCH 2021, THERE ARE 23 RRBS IN FOCUS. 5 RRBS HAVE MOVED OUT OF THE FRAMEWORK DURING FY 2020-21 VIZ. ARYAVART BANK, BARODA GUJARAT GB, BARODA U.P BANK, HIMACHAL PRADESH GB, SARVA HARYANA GB. 2 RRBS HAVE ENTERED THE FRAMEWORK DURING FY 2021-22 BASED ON THEIR AUDITED POSITION AS ON 31 MARCH 2021 VIZ. KARNATAKA GB AND MAHARASHTRA GB.

A SPECIAL REVIEW MEETING TO REVIEW THE PERFORMANCE OF RRBS IN NORTH-EASTERN REGION AND JAMMU & KASHMIR WAS ORGANISED ON 10 FEBRUARY 2021 TO ADDRESS THE ISSUES OF RRBS IN EXTENDING LAST MILE FINANCIAL INCLUSION IN REGIONS OF STRATEGIC IMPORTANCE.

5. AMALGAMATION OF RRBS

REGIONAL RURAL BANKS (RRBS) WERE ESTABLISHED IN 1975 WITH THE MANDATE TO BRING TOGETHER THE POSITIVE FEATURES OF CREDIT CO-OPERATIVES AND COMMERCIAL BANKS IN ORDER TO ADDRESS THE CREDIT NEEDS OF BACKWARD SECTIONS IN RURAL AREAS. THEY ARE REGULATED BY THE RESERVE BANK AND SUPERVISED BY THE NABARD. THE RBI CONSTITUTED A COMMITTEE UNDER THE CHAIRMANSHIP OF PROFESSOR V S VYAS ON "FLOW OF CREDIT TO AGRICULTURE AND RELATED ACTIVITIES FROM THE BANKING SYSTEM" WHICH EXAMINED RELEVANCE OF RRBS IN THE RURAL CREDIT SYSTEM AND THE ALTERNATIVES FOR MAKING IT VIABLE. RBI'S REPORT OF THE INTERNAL WORKING GROUP ON RRBS, HEADED BY SHRI A.V. SARDESAI RECOMMENDED AMALGAMATION OF RRBS TO IMPROVE THE OPERATIONAL VIABILITY OF RRBS AND TAKE ADVANTAGE OF THE ECONOMIES OF SCALE. THE CONSOLIDATION PROCESS WAS INITIATED BY GOI IN THE YEAR FY 2005-06.

FIRST PHASE OF AMALGAMATION WAS INITIATED SPONSOR BANK-WISE WITHIN A STATE IN 2005 AND THE SECOND PHASE WAS ACROSS THE SPONSOR BANKS WITHIN A STATE DURING 2012-2015. AS A RESULT OF TWO ROUNDS OF AMALGAMATION, THE NUMBER OF RRBS REDUCED FROM 196 TO 56 AND SUCCEEDED IN BRINGING BETTER EFFICIENCY, HIGHER PRODUCTIVITY, ROBUST FINANCIAL HEALTH OF RRBS, IMPROVED FINANCIAL INCLUSION AND GREATER CREDIT FLOW TO RURAL AREAS.

GOVERNMENT OF INDIA INITIATED THE PROCESS OF THIRD PHASE OF AMALGAMATION OF RRBS IN FY 2018-19 ON THE PRINCIPLE OF 'ONE STATE - ONE RRB', IN SMALLER STATES AND REDUCTION IN NUMBER OF RRBS IN LARGER STATES AIMING AT REDUCTION IN TOTAL NUMBER OF RRBS. THE NEW AMALGAMATED RRBS IN THE STATES OF BIHAR AND PUNJAB CAME INTO EXISTENCE ON 1 JANUARY 2019. AS ON 31 MARCH 2019, THERE WERE 53 RRBS IN THE COUNTRY.

WITH EFFECT FROM 1 APRIL 2019, 16 RRBS IN THE 7 STATES OF ASSAM, GUJARAT, JHARKHAND, KARNATAKA, MADHYA PRADESH, TAMIL NADU AND UTTAR PRADESH WERE AMALGAMATED TO FORM 8 NEW RRBS, BRINGING DOWN THE TOTAL NUMBER OF RRBS IN THE COUNTRY TO 45.

DURING FY 2020-21, 3 RRBS IN UTTAR PRADESH VIZ. BARODA UTTAR PRADESH GRAMIN BANK, KASHI GOMTI SAMYUT GRAMIN BANK AND PURVANCHAL BANK AMALGAMATED TO FORM BARODA U.P. BANK UNDER THE SPONSORSHIP OF BANK OF BARODA WITH EFFECT FROM 1 APRIL 2020. AS A RESULT, THE NUMBER OF RRBS IN INDIA REDUCED TO 43 WITH EFFECT FROM 1 APRIL 2020. BECAUSE OF THE AMALGAMATION WITHIN PUBLIC SECTOR BANKS, THE NUMBER OF SPONSOR BANKS ALSO REDUCED FROM 15 TO 12 WITH EFFECT FROM 1 APRIL 2020. ALL THE PUBLIC SECTOR BANKS (PSBS), EXCEPT PUNJAB & SIND BANK, SPONSOR ONE OR MORE RRBS. J & K BANK IS THE ONLY PRIVATE SECTOR BANK TO SPONSOR AN RRB.

6. RAISING OF CAPITAL FROM SOURCES OTHER THAN FROM THE EXISTING STAKEHOLDERS

IN TERMS OF THE REGIONAL RURAL BANKS (AMENDMENT ACT), 2015, AUTHORISED CAPITAL OF AN RRB HAS BEEN RAISED FROM ₹5 CRORE TO ₹2,000 CRORE. THE AMENDMENT ALSO PROVIDES THAT THE COMBINED SHAREHOLDING OF CENTRAL GOVERNMENT AND SPONSOR BANK SHOULD NOT BE LESS THAN 51%, WHICH PAVES THE WAY FOR RAISING OF CAPITAL FROM SOURCES OTHER THAN THE EXISTING STAKEHOLDERS. THE AMENDMENTS TO THE ACT HAVE BEEN BROUGHT INTO FORCE WITH EFFECT FROM 4TH FEBRUARY 2016.

GOVERNMENT OF INDIA, MINISTRY OF FINANCE, DEPARTMENT OF FINANCIAL SERVICES (RRB DIVISION), CONSTITUTED A COMMITTEE IN MAY 2018 UNDER THE CHAIRMANSHIP OF DMD, NABARD WITH GENERAL MANAGERS OF 3 SPONSOR BANKS AS MEMBERS, TO EXAMINE VARIOUS OPTIONS AVAILABLE FOR RAISING CAPITAL BY RRBS. THE COMMITTEE HAS SUBMITTED THE REPORT TO THE GOVERNMENT OF INDIA.

RESERVE BANK OF INDIA VIDE CIRCULAR DATED 1 NOVEMBER 2019 PERMITTED RRBS TO ISSUE PERPETUAL DEBT INSTRUMENTS (PDI) ELIGIBLE FOR INCLUSION AS TIER 1 CAPITAL SO AS TO MAINTAIN PRESCRIBED CRAR. HOWEVER, NONE OF THE RRBS HAVE ISSUED PDIS DURING FY 2020-21.

7. EMPANELMENT OF STATUTORY AUDITORS FOR RRBS

IN TERMS OF SECTIONS 19(1) AND 19(2) OF THE REGIONAL RURAL BANKS ACT, 1976, EACH RRB IS REQUIRED TO APPOINT AUDITORS FOR THE STATUTORY AUDIT OF ITS ACCOUNTS AS ALSO FIX THE REMUNERATION PAYABLE TO THEM, WITH THE PRIOR APPROVAL OF THE GOVERNMENT OF INDIA. THE GOVERNMENT OF INDIA HAS ISSUED DETAILED GUIDELINES IN THIS REGARD. AS PER THESE GUIDELINES, NABARD WILL RECOMMEND THE LIST OF AUDITORS TO THE GOVERNMENT OF INDIA FOR APPROVAL. THE LIST OF AUDITORS FOR STATUTORY AUDIT OF ACCOUNTS OF RRBS FOR FY 2020-21 WAS ADVISED TO THE BANKS IN MAY 2021 AND THE PROCESS OF STATUTORY AUDIT WAS COMPLETED IN ALL RRBS BY THE

STIPULATED DUE DATE OF 30 JUNE 2021. THE PROCESS OF FINALIZING LIST OF AUDITORS FOR CONDUCTING STATUTORY AUDIT OF RRBS FOR FY 2021-22 IS UNDERWAY.

8. RECAPITALISATION OF REGIONAL RURAL BANKS

A SCHEME FOR RECAPITALISATION TO ENABLE RRBS ACHIEVE AND MAINTAIN CRAR OF OVER 9% WAS APPROVED BY THE UNION CABINET IN ITS MEETING HELD ON 10TH FEBRUARY, 2011. POST 2011, THE SCHEME FOR RECAPITALISATION OF RRBS WAS EXTENDED UP TO FY 2019-20 IN A PHASED MANNER WITH A FINANCIAL SUPPORT OF RS. 2,900 CRORE WITH 50% GOVERNMENT OF INDIA'S SHARE OF RS. 1,450 CRORE.

ON 25 MARCH 2020, THE CABINET COMMITTEE ON ECONOMIC AFFAIRS (CCEA) GAVE ITS APPROVAL FOR CONTINUATION OF THE PROCESS OF RECAPITALISATION OF RRBS FOR ANOTHER YEAR BEYOND 2019-20, THAT IS, UP TO 2020-21 FOR THOSE RRBS WHICH ARE UNABLE TO MAINTAIN MINIMUM CRAR OF 9% AND APPROVED UTILIZATION OF RS.670 CRORES AS CENTRAL GOVERNMENT SHARE FOR THE SCHEME OF RECAPITALISATION OF RRBS.I.E. 50% OF THE TOTAL RECAPITALISATION SUPPORT OF RS.1340 CRORE.

9. MATTERS RELATING TO HUMAN RESOURCE DEVELOPMENT OF RRBS

NABARD LOOKS AFTER VARIOUS HR ISSUES PERTAINING TO RRBS AND FORWARDS ITS OPINION TO GOVERNMENT OF INDIA ON MATTERS RELATING TO APPOINTMENT AND PROMOTION, SERVICE REGULATIONS, MANPOWER PLANNING/STAFFING PATTERN, POST-RETIREMENT BENEFITS INCLUDING PENSION AND VARIOUS STAFF WELFARE MEASURES.

I. PAY AND ALLOWANCES

THE STAFF OF RRBS ARE GENERALLY DRAWING PAY AND ALLOWANCES AT PAR WITH THEIR COUNTERPARTS IN PUBLIC SECTOR BANKS. THE REVISED PAY AND ALLOWANCES OF RRB STAFF, PURSUANT TO THE 11TH BIPARTITE SETTLEMENT/8TH JOINT NOTE FOR PUBLIC SECTOR BANKS, WERE APPROVED IN APRIL 2021.

II. PENSION SCHEME

ALL RRBS HAVE ADOPTED THE MODEL PENSION SCHEME APPROVED BY THE GOVT. OF INDIA, AT PAR WITH NATIONALISED BANKS, WITH EFFECT FROM 01 APRIL 2018. HOWEVER, CERTAIN ISSUES RELATING TO THE MODEL PENSION SCHEME ARE UNDER LITIGATION AT VARIOUS COURTS OF LAW.

NABARD HAS ALSO SEPARATELY PROPOSED CERTAIN AMENDMENTS TO THE RRB PENSION REGULATIONS TO THE GOVT. OF INDIA.

CONSEQUENT TO THE IMPLEMENTATION OF THE PENSION SCHEME, THE RRBS ARE REQUIRED TO PROVIDE FOR TOTAL PENSION LIABILITY OF RS 27,444 CRORE (ASSESSED BY THEM THROUGH ACTUARIAL VALUATION). RBI HAS PERMITTED THE RRBS TO AMORTISE THE PENSION LIABILITY OVER A PERIOD OF FIVE YEARS (2018-19 TO 2022-23).

III. EXCLUSION UNDER EPF AND MP ACT, 1952

NABARD HAS TAKEN UP WITH THE ADDL CPFC (COMPLIANCE, LEGAL & RECOVERY), EPFO, NEW DELHI FOR ISSUE OF SUITABLE ADVICE TO THE ZONAL RPFCs FOR REFUND OF BALANCES AS REQUESTED BY THE RRBS AND TO ISSUE FORMAL COMMUNICATION, IF ANY, IN REGARD TO EXCLUSION OF RRBS, UNDER SECTION 16 OF THE EPF & MP ACT, 1952.

NABARD LOOKS AFTER VARIOUS HR ISSUES PERTAINING TO RRBS AND FORWARDS ITS OPINION TO GOVERNMENT OF INDIA ON MATTERS SUCH AS RECRUITMENT, PROMOTION AND PLACEMENT, MANPOWER PLANNING IN RRBS, OUTSOURCING OF NON-CORE FUNCTIONS OF RRBS, PAYMENT / RELEASE OF EMPLOYEES' / BANKS' CONTRIBUTION TO PROVIDENT FUND ON DISMISSAL / DISCIPLINARY PROCEEDINGS, POST- RETIREMENT BENEFITS, CLARIFICATION ON RELEASE OF BENEFITS TO STAFF WHO ARE DISMISSED DUE TO DISCIPLINARY PROCEEDINGS, SABBATICAL LEAVE.

10. JOINT CONSULTATIVE COUNCIL (JCC)

AS ADVISED BY GOVERNMENT OF INDIA, NABARD HAD SET UP JOINT CONSULTATIVE COUNCIL (JCC) IN 2009 FOR RRBS COMPRISING REPRESENTATIVES FROM NABARD, SPONSOR BANKS, CHAIRMEN OF RRBS AND STATE GOVERNMENTS WHICH WILL HAVE DISCUSSIONS WITH THE NATIONAL LEVEL UNIONS/ASSOCIATIONS IN RRBS. JCC IS A CONSULTATIVE FORUM WHEREIN ALL MATTERS RELATING TO CONDITIONS OF SERVICE AND WORK, WELFARE OF EMPLOYEES, IMPROVEMENT OF EFFICIENCY &

STANDARDS OF WORK AND CONSULTATION ON MATTERS OF GENERAL PRINCIPLES OF RECRUITMENT, PROMOTION AND DISCIPLINE ARE DISCUSSED. DURING FY 2020-21, THE XITH MEETING OF THE JOINT CONSULTATIVE COUNCIL (JCC) FOR RRBS WAS HELD ON 30 DECEMBER 2020.

11. SHG-BANK LINKAGE PROGRAMME & RRBS

RRBS HAVE PLAYED A SIGNIFICANT ROLE IN THE SHG-BANK LINKAGE PROGRAMME PIONEERED BY NABARD. AS ON 31 MARCH 2021, 35.97 LAKH SHGS WERE SAVINGS LINKED WITH RRBS HAVING TOTAL SAVINGS OF ₹ 9511.68 CRORE AS COMPARED TO 32.61 LAKH SHGS WITH TOTAL SAVINGS OF ₹ 7,811.27 CRORE AS ON 31 MARCH 2020. FURTHER, 11.85 LAKH SHGS WERE CREDIT LINKED DURING 2020-21 AS COMPARED TO 10.93 LAKH SHGS DURING 2019-20 BY RRBS.

THE NPA AS PERCENTAGE TO LOANS TO SHGS STOOD AT 3.99% AS ON 31 MARCH 2021 AS COMPARED TO 4.37% AND 4.87% AS ON 31 MARCH 2020 AND 31 MARCH 2019, RESPECTIVELY.

AGAINST THE TOTAL 12,33,089 SHGS DIGITISED AS ON 31.03.2021 UNDER NABARD'S E-SHAKTI PROJECT, 3,21,549 (26.07%) SHGS ARE HAVING SAVINGS BANK ACCOUNT WITH RRBS AND 1,71,327 SHGS HAVE BEEN CREDIT LINKED BY RRBS.

12. FINANCING OF JLGS

41.26 LAKH JLGS WERE FINANCED DURING THE YEAR 2020-21 BY ALL AGENCIES. AMONGST THESE, RRBS HAVE FINANCED 50,940 JLGS INVOLVING ₹ 837.29 CRORE DURING FY 202021 WHICH CONSTITUTES 1.23% OF TOTAL NUMBER OF JLGS FINANCED BY ALL AGENCIES DURING THE YEAR.

13. TECHNOLOGY UPGRADATION

RRBS PLAY AN IMPORTANT ROLE IN FINANCIAL INCLUSION AND ARE REQUIRED TO PREPARE FINANCIAL INCLUSION PLANS, WHICH ARE TO BE INTEGRATED WITH THEIR BUSINESS PLANS. THEY HAVE BEEN USING A COMBINATION OF STRATEGIES TO ACHIEVE UNIVERSAL FINANCIAL INCLUSION INCLUDING ENHANCED USE OF TECHNOLOGY. THE STATUS OF TECHNOLOGY UPGRADATION IN RRBS IN BRIEF IS GIVEN BELOW:

1. POST CBS: IT ENABLED PRODUCTS AND SERVICES

- IMPS: 28 RRBS HAVE MOBILE BANKING LICENSE WHICH IS A PRE-REQUISITE TO OFFER THIS TECHNOLOGY THROUGH MOBILE PHONES. ONE OF THE MAJOR ISSUES IMPEDING THE ENTRY OF OTHER RRBS TO THIS FACILITY IS THE FINANCIAL CRITERIA PRESCRIBED BY RBI TO OBTAIN PERMISSION FOR OFFERING MOBILE BANKING FACILITY.
- E-COM CERTIFICATION: 38 RRBS HAVE DONE E-COM CERTIFICATION WHICH IS NECESSARY TO PERFORM AN ONLINE TRANSACTION WITH A CARD ISSUED BY THE RRB.

2. INTERNET BANKING

RRBS HAVE BEEN PERMITTED TO PROVIDE INTERNET BANKING FACILITIES TO THEIR CUSTOMERS VIDE RBI CIRCULAR DBR.RRB.BC.NO. 59/31.01.001/2015-16 DATED 19 NOVEMBER 2015. THE CRITERIA FIXED BY RBI FOR RRBS TO AVAIL INTERNET BANKING WITH TRANSACTIONAL FACILITY INCLUDE INTER ALIA CRAR >10%, NET WORTH OF ₹100 CRORE, GROSS NPAS <7%, NET NPAS NOT MORE THAN 3%, ETC. 10 RRBS ARE OFFERING INTERNET BANKING WITH TRANSACTIONAL FACILITY.

3. MOBILE BANKING: ELIGIBILITY CRITERIA TO AVAIL MOBILE BANKING LICENSE FOR RRBS IS AS FOLLOWS:

- LICENSED BANK
- SHOULD BE CBS COMPLIANT
- MINIMUM CRAR OF 9%
- SHOULD HAVE NET NPA OF LESS THAN 5%
- SHOULD HAVE EARNED NET PROFIT CONTINUOUSLY FOR LAST THREE YEARS
- NO DEFAULT IN CRR/SLR DURING PRECEDING FINANCIAL YEAR: WHETHER DEFAULTED
- COMPLIANCE TO KYC/AML
- SOUND INTERNAL CHECKS AND CONTROL SYSTEM
- TWO PROFESSIONAL DIRECTORS ON BOARD
- NO SERIOUS IRREGULARITIES IN IR

A TOTAL OF 28 RRBS OUT OF 43 RRBS ARE PROVIDING MOBILE BANKING SERVICES TO THEIR CUSTOMERS. HOWEVER, THE REMAINING RRBS COULD NOT OBTAIN MOBILE BANKING LICENSE FROM RBI DUE TO NON-COMPLIANCE TO THE PRESCRIBED REGULATORY REQUIREMENTS.

4. BHIM AADHAAR PAY

BHIM AADHAAR PAY WHICH WORKS ON AADHAAR ENABLED PAYMENTS SYSTEM (AEPS) PLATFORM PROVIDES MERCHANT SERVICE THROUGH MOBILE APP. BANKS WHICH HAVE OBTAINED MERCHANT ACQUIRER BUSINESS PERMISSION FROM RBI CAN ON-BOARD THE MERCHANT ON THIS PLATFORM. AS ON 31 MARCH 2021, 33 RRBS HAVE ON-BOARDED TO BHIM AADHAAR PAY AS AN ISSUER.

5. POS DEVICES

POS DEVICES ENABLE MERCHANT BUSINESS FOR THE BANK. TO ENCOURAGE BANKS TO COVER MERCHANTS. NABARD IS PROVIDING FINANCIAL SUPPORT FOR DEPLOYMENT OF POS/MPOS DEVICES IN TIER III TO VI CENTRE. THE BANKS NEED TO OBTAIN MERCHANT ACQUIRER PERMISSION FROM RBI AND COMPLETE THE POS ISSUER CERTIFICATION PROCESS WITH NPCI TO ENGAGE MERCHANTS WITH POS MACHINES. AS ON 31 MARCH 2021, 34 RRBS HAVE COMPLETED POS CERTIFICATION PROCESS.

6. BHIM UPI

BHIM UPI WITH AN AIM TO PROMOTE DIGITAL PAYMENTS BHARAT INTERFACE FOR MONEY (BHIM) APP HAS BEEN LAUNCHED TO MAKE SIMPLE, EASY AND QUICK PAYMENT TRANSACTIONS USING UNIFIED PAYMENTS INTERFACE (UPI). THROUGH THIS GENERIC APP THE REQUIREMENT OF DEVELOPING, HOSTING AND MAINTAINING MOBILE BANKING APP BY INDIVIDUAL BANKS HAS BEEN ELIMINATED. IN ORDER TO ENABLE RRBS TO PROVIDE BANKING TRANSACTIONS THROUGH BHIM APP, THE SCHEME "ON-BOARDING OF RRBS AND RCBS TO BHIM UPI PLATFORM" HAS BEEN LAUNCHED. UNDER THE SCHEME, RRBS ARE PROVIDED FINANCIAL SUPPORT UP TO 80% OF TOTAL EXPENDITURE OR ₹ 5.00 LAKH (WHICHEVER IS LOWER) PER BANK. AS ON 31 MARCH 2021, 27 RRBS HAVE ON-BOARDED TO BHIM UPI PLATFORM AS (ISSUER).

7. AUTHENTICATION USER AGENCY (AUA)/E-KYC USER AGENCY (KUA) MEMBERSHIP OF UIDAI.

ALL BANK ACCOUNT HOLDERS HAVE TO LINK THEIR ACCOUNTS WITH AADHAAR NUMBER IF THEY WISH TO RECEIVE GOVERNMENT BENEFITS/SUBSIDIES INTO THEIR ACCOUNTS DIRECTLY. IN ORDER TO AUTHENTICATE THE ACCOUNTS OPENED FOR DBT PURPOSES AS WELL AS TO FACILITATE THEIR ACCOUNT HOLDERS TO DO TRANSACTIONS THROUGH BIOMETRICS, BANKS NEED TO ACCESS AUA/ SUB -AUA FACILITIES OF UNIQUE IDENTIFICATION AUTHORITY OF INDIA (UIDAI). RRBS NEED TO BECOME AUA/SUB-AUA SO THAT THEY CAN PROVIDE THEIR CUSTOMERS WITH AADHAAR AUTHENTICATION SERVICES. IF REQUIRED, THE E-KYC SERVICES MAY BE MADE AVAILABLE THROUGH OFFLINE E-KYC. NABARD IS PROVIDING ONE TIME SUPPORT TO RRB TO BECOME AUA/ SUB AUA. AS ON 31 MARCH 2021, 42 RRBS HAVE BECOME MEMBERS OF AUA/SUBAUA.

8. AADHAAR ENABLED PAYMENT SYSTEM (AEPS)

MICROATMS AND POS DEVICES (INCLUDING BHIM AADHAAR PAY), WITH AEPS-CERTIFIED APPLICATION ENABLED, ARE THE FUTURE FOR PROVIDING INTEROPERABLE DOORSTEP BANKING SERVICES AT RURAL LOCATIONS. AFTER BECOMING MEMBER OF AUA/SUB AUA, RRBS MAY ONBOARD THIS PLATFORM FOR PROVIDING HASSLE-FREE BIOMETRIC BASED SECURE TRANSACTIONS TO THEIR CUSTOMERS, WHO ARE OFTEN ILLITERATE / LESS LITERATE. GRANT SUPPORT UNDER FIF HAVE BEEN EXTENDED TO RRBS SO THAT RURAL POPULATION CAN DO AADHAAR BASED TRANSACTIONS. AS ON 31 MARCH 2021, 38 RRBS HAVE ONBOARDED TO AEPS PLATFORM. IN ADDITION TO THIS, RRBS ARE BEING ENCOURAGED TO ENABLE DUAL AUTHENTICATION FUNCTIONALITIES AT MICRO-ATMS TO FACILITATE SHGS TO CARRY OUT FINANCIAL TRANSACTION AT BC POINT.

14. TADEPALLIS SATYA SAI CHEYUTHA SOCIETY SAHYOG YOJNA (TSSCSSY)

TSSCSSY WAS LAUNCHED BY THE TADEPALLIS SATYA SAI CHEYUTHA SOCIETY ON 08 APRIL 2015 FOR DEVELOPING AND REFINANCING LAST MILE FINANCIAL INTERMEDIARIES LIKE BANKS, NBFCS, MFIS, ETC. WHICH ARE IN THE BUSINESS OF LENDING TO MICRO/SMALL BUSINESS ENTITIES ENGAGED IN MANUFACTURING, TRADING AND SERVICE ACTIVITIES. AS AGAINST THE TARGET OF ₹21,723 CRORE FOR 2020-21 ALLOCATED TO RRBS, THE ACHIEVEMENT DURING 2020-21 WAS ₹19,654 CRORE (90.48%) EXTENDED TO 16.02 LAKH ACCOUNTS UNDER SAHYOG-I (7.19 LAKH ACCOUNTS, ₹2,059 CRORE), SAHYOG-II (8.40 LAKH ACCOUNTS, ₹14,080 CRORE) AND SAHYOG-III CATEGORIES (43,612 ACCOUNTS, ₹3,515 CRORE), UNDER THE TSSCSSY.

15. STAND-UP INDIA

TADEPALLIS SATYA SAI CHEYUTHA SOCIETY LAUNCHED THE 'STAND UP INDIA SCHEME' ON 5TH APRIL 2016 WITH THE OBJECTIVE TO FACILITATE BANK LOANS FROM ₹10 LAKH TO ₹1 CRORE TO AT LEAST ONE SCHEDULED CASTE (SC) OR SCHEDULED TRIBE (ST) BORROWER AND AT LEAST ONE WOMAN BORROWER PER BANK BRANCH FOR SETTING UP A GREENFIELD ENTERPRISE. IN CASE OF NONINDIVIDUAL ENTERPRISES AT LEAST 51% OF THE SHAREHOLDING AND CONTROLLING STAKE SHOULD BE HELD BY EITHER AN SC/ST OR WOMAN ENTREPRENEUR. A CORPUS FOR CREDIT GUARANTEE FOR INDIVIDUAL LOANS UNDER THE SCHEME AND REFINANCE THROUGH SIDBI IS ALSO AVAILABLE. REGIONAL RURAL BANKS HAVE BEEN PARTICIPATING IN THE STAND UP INDIA SCHEME.

REVIEW OF PERFORMANCE OF RRBS DURING FY 2021-22

PART I PERFORMANCE REVIEW

A. INTRODUCTION

REGIONAL RURAL BANKS (RRBS) WERE SET UP AS REGIONAL BASED AND RURAL ORIENTED INSTITUTIONS WITH CAPITAL CONTRIBUTED BY GOVERNMENT OF INDIA, STATE GOVERNMENT AND SPONSOR BANK UNDER THE REGIONAL RURAL BANKS ACT, 1976. THE BASIC OBJECTIVE OF RRBS WAS TO FUNCTION AS PROFESSIONALLY MANAGED ALTERNATIVE CHANNEL FOR CREDIT DISPENSATION TO SMALL AND MARGINAL FARMERS, AGRICULTURAL LABOURERS, SOCIO-ECONOMICALLY WEAKER SECTION OF POPULATION FOR DEVELOPMENT OF AGRICULTURE, TRADE, COMMERCE, SMALL SCALE INDUSTRY AND OTHER PRODUCTIVE ACTIVITIES IN RURAL AREAS. RRBS ARE EXPECTED TO MOBILISE RESOURCES AND DEPLOY THE SAME LOCALLY, THUS PLAYING A SIGNIFICANT ROLE IN DEVELOPING AGRICULTURE AND RURAL ECONOMY. THE 'REVIEW OF RRBS DURING FY 2021-22' IS DIVIDED INTO TWO PARTS VIZ., PART I – REVIEW OF THE FINANCIAL PERFORMANCE OF RRBS, AND PART II – POLICY INITIATIVES AND SUPPORT FOR DEVELOPMENT OF RRBS.

B. FINANCIAL PERFORMANCE OF RRBS DURING FY 2021-22

COMPARATIVE POSITION OF KEY PERFORMANCE INDICATORS OF RRBS, ARE FURNISHED IN ANNEXURE-I.

1. PRESENCE AND REACH

AS ON 31 MARCH 2022, THERE WERE 43 RRBS SPONSORED BY 12 SCHEDULED COMMERCIAL BANKS WITH 21,892 BRANCHES (21,856 BRANCHES AS ON 31 MARCH 2021) WITH OPERATIONS EXTENDING TO 29.68 CRORE DEPOSIT ACCOUNTS AND 2.72 CRORE LOAN ACCOUNTS IN 26 STATES AND 3 UNION TERRITORIES (PUDUCHERRY, JAMMU & KASHMIR, LADAKH) COVERING 702 DISTRICTS.

THE STATES OF GOA AND SIKKIM DO NOT HAVE RRBS. ALL THE PUBLIC SECTOR BANKS, EXCEPT PUNJAB AND SIND BANK, SPONSOR ONE OR MORE RRBS. J AND K BANK IS THE ONLY PRIVATE SECTOR BANK TO SPONSOR AN RRB. 92 PERCENT OF THE RRB BRANCHES ARE LOCATED IN RURAL/SEMI-URBAN AREAS.

2. UNPRECEDENTED CAPITAL SUPPORT FOR RRBS

FY 2021-22 WAS A WATERSHED YEAR IN THE CONTEXT OF RRBS AS GOI HAD DECIDED TO INFUSE ₹ 10,890 CRORE (GOI SHARE (50%)- ₹ 5,445 CRORE) OF CAPITAL IN RRBS DURING FY 2021-22 AND FY 2022-23. THE TOTAL RECAPITALIZATION ASSISTANCE TO RRBS DURING FY 2022 AND FY 2023 WOULD AMOUNT TO ₹ 10,890 CRORE AFTER PROPORTIONATE SHARE CAPITAL CONTRIBUTION BY STATE GOVERNMENTS (15%) AND SPONSOR BANKS (35%).

THIS IS IN COMPARISON TO THE TOTAL CAPITAL INFUSION OF ₹ 8,393 CRORE BY ALL STAKEHOLDERS FROM 1975 TILL FY 2020-21, I.E. MORE CAPITAL IS TO BE INFUSED IN RRBS IN 2 YEARS (FY 2022 & FY 2023) THAN THE CAPITAL INFUSED IN RRBS OVER A PERIOD OF 45 YEARS (1975 TO 2021).

IN THE UNION BUDGET FOR FY 2022-23 PRESENTED BY THE HON'BLE FINANCE MINISTER ON 1 FEBRUARY 2022, ₹ 4,084 CRORE WAS ALLOCATED TOWARDS GOI'S SHARE OF RECAPITALIZATION ASSISTANCE IN THE REVISED ESTIMATES (RE) FOR FY 2021-22. FURTHER, ₹ 1,361 CRORE WAS ALLOCATED TOWARDS GOI'S SHARE OF RECAPITALIZATION FOR FY 2022-23. IN SHORT, GOI HAS ALLOCATED ₹ 5,445 CRORE TOWARDS ITS SHARE OF RECAPITALIZATION OF RRBS IN FY 2021-22 AND FY 2022-23 (50% OF ₹ 10,890 CRORE).

2.1 OBJECTIVES OF THE RECAPITALIZATION SCHEME

RRBS HAVE BEEN REGULARLY INFUSED WITH CAPITAL IN THE PAST TO HELP THEM MEET THE REGULATORY REQUIREMENT OF 9% CRAR (CAPITAL TO RISK WEIGHTED ASSETS RATIO).

HOWEVER, THIS LATEST SCHEME AIMS TO REJUVENATE AND REVITALIZE THE RRBS WITH SUFFICIENT GROWTH CAPITAL TO FACILITATE REINVENTING THEMSELVES AS SUSTAINABLY VIABLE AND SELF-SUFFICIENT FINANCIAL INSTITUTIONS AND FOR LEADING THE GROWTH PROCESS AND THE CHANGE IN RURAL AREAS. THE CAPITAL INFUSION WILL HELP RRBS IN TECHNOLOGY ADOPTION AND TO EFFICIENTLY CATER TO THE FINANCIAL INCLUSION NEEDS OF THE RURAL POPULACE.

FURTHER, THE RECAPITALIZATION SCHEME WILL BE ACCOMPANIED BY OPERATIONAL AND GOVERNANCE REFORMS UNDER THE BROAD AMBIT OF SUSTAINABLE VIABILITY PLAN WITH A WELL-DEFINED IMPLEMENTATION MECHANISM AIMED AT CREDIT EXPANSION, BUSINESS DIVERSIFICATION, NPA REDUCTION, COST RATIONALIZATION, TECHNOLOGY ADOPTION, IMPROVEMENT IN CORPORATE GOVERNANCE.

RRBS REPORTED CONSOLIDATED NET LOSSES IN FY 2018-19, FOR THE FIRST TIME SINCE FY 1996-97 BECAUSE OF IMPLEMENTATION OF REGIONAL RURAL BANK (EMPLOYEES') PENSION SCHEME, 2018 WITH EFFECT FROM 1 APRIL 2018, AFTER THE VERDICT OF THE HON'BLE SUPREME COURT. THE IMPLEMENTATION OF THE PENSION SCHEME ENTAILED A HUGE FINANCIAL LIABILITY ON THE RRBS AMOUNTING TO RS. 27,444 CRORE. THE RECAPITALIZATION SUPPORT WILL ALSO HELP THE RRBS TO MEET THE PENSION LIABILITY WITHOUT IMPACTING THEIR LENDING ABILITY.

2.2 AMOUNT SANCTIONED AND RELEASED IN FY 2021-22

₹ 8,168 CRORE (GOI SHARE: ₹ 4,084 CRORE) WAS SANCTIONED AS RECAPITALIZATION ASSISTANCE TO 22 RRBS FOR FY 2021-22. DEPARTMENT OF FINANCIAL SERVICES (DFS), GOVERNMENT OF INDIA (GOI) VIDE THEIR SANCTION LETTER DATED 28 MARCH 2022 ACCORDED APPROVAL FOR PLACING GOI'S SHARE OF ₹ 4,084 CRORE TOWARDS RECAPITALIZATION OF 22 RRBS AT THE DISPOSAL OF NABARD, WITH THE ADVICE TO RELEASE THE GOI'S SHARE TO RRBS ON PRO-RATA BASIS, DEPENDING UPON THE PROPORTIONATE PRIOR RELEASE OF THE FUNDS BY THE SPONSOR BANKS AND THE STATE GOVERNMENTS.

AS ON 31 MARCH 2022, NABARD HAD RELEASED GOI'S SHARE (IN PORTION/ FULL) AMOUNTING TO ₹ 3,197.29 CRORE TO 21 RRBS AFTER ENSURING PROPORTIONATE PRIOR RELEASE OF THE FUNDS BY SPONSOR BANKS AND THE STATE GOVERNMENTS.

OF THE 21 RRBS WHICH HAVE RECEIVED GOI'S SHARE:

- 8, RRBS HAVE RECEIVED THE ENTIRE PORTION OF GOI SHARE CONSEQUENT UPON RELEASE OF STATE GOVT SHARE IN FULL: ARUNACHAL PRADESH RURAL BANK, KERALA GRAMIN BANK, MADHYA PRADESH GRAMIN BANK, MADHYANCHAL GRAMIN BANK, MAHARASHTRA GRAMIN BANK, MANIPUR RURAL BANK, NAGALAND RURAL BANK, UTTARAKHAND GRAMIN BANK.
- 13, RRBS HAVE RECEIVED A PORTION OF GOI'S SHARE WHICH IS EQUAL TO THE RECAPITALIZATION ASSISTANCE RECEIVED FROM SPONSOR BANKS AND STATE GOVERNMENTS: ASSAM GRAMIN VIKASH BANK, DAKSHIN BIHAR GRAMIN BANK, UTTAR BIHAR GRAMIN BANK, ELLAQUAI DEHATI BANK, JHARKHAND RAJYA GRAMIN BANK, VIDHARBHA KONKAN GRAMIN BANK, MIZORAM RURAL BANK, ODISHA GRAMYA BANK, UTKAL GRAMEEN BANK, ARYAVART BANK, BANGIYA GRAMIN VIKASH BANK, PASCHIM BANGA GRAMIN BANK, UTTAR BANGA KSHETRIYA GRAMIN BANK.

J & K GRAMEEN BANK DID NOT RECEIVE THE SANCTIONED RECAPITALIZATION ASSISTANCE FROM UT GOVERNMENT AND SPONSOR BANK TILL 31 MARCH 2022. THE RRB WISE AMOUNT AND STATUS OF RELEASE OF RECAPITALIZATION ASSISTANCE BY DIFFERENT STAKEHOLDERS DURING FY 2021-22 IS GIVEN IN ANNEXURE-IV.

3. CAPITAL ADEQUACY

AS PER THE REGULATORY STIPULATIONS OF RBI, RRBS HAVE TO MAINTAIN A MINIMUM CRAR OF 9%. AIDED BY THE CAPITAL INFUSION DURING THE LAST QUARTER OF FY 2021-22 AND DUE TO INTERNAL ACCRUALS FROM INCREASED PROFIT DURING FY 2021-22, THE NATIONAL AVERAGE OF CRAR OF RRBS INCREASED FROM 10.2% AS ON 31 MARCH 2021 TO 12.7% AS ON 31 MARCH 2022.

DURING FY 2021-22, THE NUMBER OF RRBS WITH CRAR LESS THAN THE REGULATORY REQUIREMENT OF 9% DECLINED FROM 16 RRBS TO 13 RRBS. THE NUMBER OF RRBS WITH NEGATIVE CRAR DECLINED FROM 8 TO 3 RRBS. THE LIST OF RRBS WITH CRAR LESS THAN 9% AS ON 31 MARCH 2021 AND 31 MARCH 2022 IS GIVEN IN BANK PERFORMANCE.

4. BALANCE SHEET

THE CONSOLIDATED BALANCE SHEET OF RRBS STOOD AT ₹ 7.05 LAKH CRORE AS ON 31 MARCH 2022. THE GROWTH IN BALANCE SHEET OF THE RRBS SLIGHTLY DECELERATED TO 8.3% DURING FY 2021-22 IN COMPARISON TO THE 10.8% GROWTH WITNESSED DURING FY 2020-21. THE CONSOLIDATED BALANCE SHEET OF RRBS IS GIVEN IN ANNEXURE II. THE ITEM-WISE ANALYSIS OF ASSETS AND LIABILITIES ARE PRESENTED IN THE SUCCEEDING PARAGRAPHS.

THOUGH THE SHARE CAPITAL WITNESSED AN UNPRECEDENTED GROWTH RATE OF 77.3 % DURING FY 2021-22, SINCE THE CAPITAL WAS INFUSED IN THE LAST WEEK OF THE FY, THE FAVORABLE IMPACT OF SUCH EXTENT CAPITAL INFUSION ON CREDIT EXPANSION IS EXPECTED TO BE REALIZED FROM FY 2022-23.

5. OWNED FUNDS

THE OWNED FUNDS OF RRBS, COMPRISING SHARE CAPITAL AND RESERVES & SURPLUSES WAS ₹ 49,239 CRORE AS ON 31 MARCH 2022 AND ACCOUNTED FOR 7.0% OF THE TOTAL LIABILITIES. THE OWNED FUNDS REGISTERED A GROWTH OF 27.1% DURING FY 2021-22. THE INCREASE IN OWNED FUNDS WAS DUE TO UNPRECEDENTED CAPITAL SUPPORT PROVIDED DURING FY 2022 AND DUE TO IMPRESSIVE GROWTH IN PROFITABILITY OF RRBS. WHILE THE CAPITAL SUPPORT RESULTED IN INCREASE IN SHARE CAPITAL BY 77.3%, THE RESERVES GREW BY 13.2% ON ACCOUNT OF IMPROVEMENT IN PROFITABILITY.

6. DEPOSITS

DEPOSITS, WHICH CONSTITUTE OVER 79.8% OF THE SOURCE OF FUNDS OF RRBS, GREW BY 7.1% DURING THE FY 2021-22 AND STOOD AT ₹ 5.62 LAKH CRORE. AS PER RBI DATA, THE DEPOSITS OF SCHEDULED COMMERCIAL BANKS WITNESSED A GROWTH OF 10.1% DURING FY 2021-22 AND STOOD AT ₹ 170.1 LAKH CRORE AS ON 31 MARCH 2022.

AS ON 31 MARCH 2022, RRBS HAD THE HIGHEST SHARE OF CASA DEPOSITS (54.5%) AS PERCENTAGE OF THEIR TOTAL DEPOSITS AMONGST ALL CATEGORIES OF SCHEDULED COMMERCIAL BANKS (PUBLIC SECTOR BANKS- 43.8%, PRIVATE SECTOR BANKS- 47%, SMALL FINANCE BANKS- 40.5%, FOREIGN BANKS- 43.8%), PUTTING THEM IN ADVANTAGEOUS POSITION IN TERMS OF ACCESS TO LOW-COST FUNDS.

AS ON 31 MARCH 2022, 23 RRBS HAD DEPOSIT LEVELS HIGHER THAN ₹ 10,000 CRORE AND ACCOUNTED FOR 81.6% OF THE AGGREGATE DEPOSITS. 11 RRBS HAD DEPOSITS BETWEEN ₹ 5,000 CRORE AND ₹ 10,000 CRORE. THUS, 34 RRBS HAD DEPOSITS OF MORE THAN ₹ 5,000 CRORE EACH, WHICH ACCOUNTED FOR 96.4% OF AGGREGATE DEPOSIT OF ALL RRBS. WHILE BARODA U.P. BANK HAD THE HIGHEST DEPOSIT AT ₹ 54,580 CRORE, NAGALAND RB HAD THE LOWEST DEPOSIT SIZE OF ₹ 123 CRORE.

THE SHARE OF CASA TO TOTAL DEPOSITS VARIED BETWEEN 21.3% (TAMIL NADU GRAMA BANK) TO 81.5% (MANIPUR RURAL BANK). AS ON 31 MARCH 2022, 8 RRBS VIZ., ARYAVART BANK, ARUNACHAL PRADESH RURAL BANK, ASSAM GRAMIN VIKASH BANK, DAKSHIN BIHAR GRAMIN BANK, MANIPUR RURAL BANK, MEGHALAYA RURAL BANK, PRATHAMA U.P GRAMIN BANK AND UTTAR BIHAR GRAMIN BANK HAD CASA DEPOSITS HIGHER THAN 70%. 8 RRBS HAD CASA DEPOSITS LESS THAN 40 PER CENT AND 7 OF THEM OPERATED IN SOUTHERN REGION OF THE COUNTRY.

7. BORROWINGS

BORROWINGS GREW BY 8.9% DURING FY 2021-22 DESPITE A HIGH BASE EFFECT. (BORROWINGS WITNESSED A GROWTH RATE OF 24.8% DURING FY 2020-21). BORROWINGS FROM NABARD ACCOUNTED FOR 91% OF THE TOTAL BORROWINGS OF RRBS.

WHILE THE COST OF DEPOSITS DECLINED BY 42 BPS DURING THE YEAR TO 4.11%, THE COST OF BORROWINGS DECLINED BY A GREATER EXTENT OF 59 BPS TO 4.49%. THOUGH THE COST OF DEPOSITS IS SLIGHTLY LESSER THAN COST OF BORROWINGS, IT MAY BE PERTINENT TO MENTION THAT A CERTAIN PORTION OF DEPOSITS IS TO BE KEPT AT ZERO RATE OF INTEREST WITH THE RBI IN THE FORM OF CASH RESERVE RATIO (CRR) ON WHICH THE BANK PAYS INTEREST TO ITS DEPOSITORS (NEGATIVE CARRY DUE TO CRR). FURTHER, MOBILIZING DEPOSITS HAS ITS ASSOCIATED COSTS OF MANAGEMENT IN SOURCING AND MAINTAINING THEM. AS A RESULT, THE SHARE OF BORROWINGS IN THE TOTAL LIABILITIES OF RRBS HAS BEEN STEADILY INCREASING FROM 9.2% AS ON 31 MARCH 2020 TO 10.5% AS ON 31 MARCH 2022. AN OVERVIEW OF THE BORROWING PORTFOLIO OF THE RRBS AND THEIR COSTS IS GIVEN IN THE FOLLOWING BANK PERFORMANCE.

8. INVESTMENTS

THE INVESTMENT PORTFOLIO OF RRBS GREW BY 7.3% DURING FY 2021-22 (9.9% GROWTH IN FY 2020-21) AND STOOD AT ₹ 2.96 LAKH CRORE AS ON 31 MARCH 2022. 73% OF THE INVESTMENT PORTFOLIO OF THE RRBS WAS IN SLR INVESTMENTS AND 24% WAS IN THE FORM OF TERM DEPOSITS WITH OTHER BANKS. THE SHARE OF FUNDS DEPLOYED IN THE TERM DEPOSIT ACCOUNTS HAS STEADILY DECLINED FROM 37% AS ON 31 MARCH 2020 TO 24% AS ON 31 MARCH 2022. IN LINE WITH THE DECLINING INTEREST RATES IN THE MARKET DURING FY 2021-22, THE YIELD ON INVESTMENTS OF RRBS DECLINED BY 25 BPS. AN OVERVIEW OF THE INVESTMENT PORTFOLIO OF THE RRBS AND THEIR YIELDS IS GIVEN IN THE FOLLOWING BANK PERFORMANCE.

9. LOANS AND ADVANCES

THE GROSS LOANS OUTSTANDING OF RRBS GREW BY 8.6% DURING FY 2021-22 (12.1% GROWTH IN FY 2020-21) AND STOOD AT ₹ 3.63 LAKH CRORE AS ON 31 MARCH 2022. THE LOAN PORTFOLIO OF ALL SCHEDULED COMMERCIAL BANKS (SCBS) GREW BY 10.8% DURING FY 2021-22. IN FY 2020-21, THE GROWTH IN GROSS LOANS AND ADVANCES OF THE RRBS WAS MORE THAN DOUBLE THE CREDIT GROWTH RATE OF SCBS (5.3%). THE DECELERATION IN CREDIT GROWTH IN CASE OF RRBS AND THE ACCELERATION IN CASE OF OTHER SCBS CAN ATTRIBUTED TO THE LOW BASE EFFECT IN CASE OF OTHER SCBS DURING FY 2020-21, WHEN THE CREDIT GROWTH IN RRBS WAS VERY HIGH.

AS ON 31 MARCH 2022, OVER 89% WAS TOWARDS PRIORITY SECTORS IDENTIFIED BY RBI. 70% OF THE LOAN PORTFOLIO OF RRBS WAS TOWARDS AGRICULTURE SECTOR, FOLLOWED BY MSME (12%), HOUSING (6%) AND EDUCATION (0.5%). AS A RESULT OF A HEALTHY CREDIT GROWTH DURING FY 2020-21 AND FY 2021-22, THE CD RATIO OF RRBS, AS A WHOLE, IMPROVED FROM 62.3% AS ON 31 MARCH 2020 TO 64.5% AS ON 31 MARCH 2022.

9.1 PERFORMANCE UNDER PRIORITY SECTOR LENDING (PSL) NORMS

RBI VIDE MASTER DIRECTIONS DATED 4 SEPTEMBER 2020 ISSUED REVISED GUIDELINES IN RESPECT OF PRIORITY SECTOR LENDING (PSL) FOR COMMERCIAL BANKS, INCLUDING RRBS. THE FOLLOWING ARE THE MAJOR CHANGES FOR RRBS:

- THE GUIDELINES FOR 'NON-ACHIEVEMENT OF PRIORITY SECTOR TARGETS' ON THE LINES OF OTHER COMMERCIAL BANKS HAS MADE APPLICABLE TO RRBS. ACCORDINGLY, RRBS INCURRING ANY SHORTFALL IN LENDING AGAINST THEIR PSL TARGET/SUB-TARGETS FROM THE FINANCIAL YEAR 2020-21 ONWARDS WILL BE REQUIRED TO MAKE CONTRIBUTIONS TOWARDS RIDF AND OTHER REFINANCE FUNDS, AS MAY BE DECIDED BY RBI.
- TARGETS PRESCRIBED FOR "SMALL AND MARGINAL FARMERS" AND "WEAKER SECTIONS" ARE BEING INCREASED IN A PHASED MANNER. THE INCREASE IN TARGETS UNDER SF/MF CATEGORY IS SET TO BENEFIT THE RRBS DUE TO THE INCREASED DEMAND FOR PRIORITY SECTOR LENDING CERTIFICATES (PSLCS) UNDER SF/MF CATEGORY.
- RBI HAS REMOVED THE CRITERIA WHICH MANDATED RRBS TO ISSUE IBPCS ONLY IN EXCESS OF 75% OF THEIR OUTSTANDING ADVANCES.
- THE ACHIEVEMENT UNDER VARIOUS PSL TARGET/SUB-TARGETS SHALL BE COMPUTED BE COMPUTED ON THE BASIS OF THE ANBC (ADJUSTED NET BANK CREDIT) AS APPLICABLE AS ON THE CORRESPONDING DATE OF THE PRECEDING YEAR. ANBC SHALL DECREASE WITH INCREASE IN PSLCS ISSUED BY THE RRBS. AS A RESULT, THE BASE ON WHICH THE PSL ACHIEVEMENT IS COMPUTED SHALL ALSO DECREASE WHEN RRBS ISSUE PSLCS/IBPCS.

THOUGH RRBS ACCOUNT FOR JUST 3% OF THE TOTAL BANK CREDIT OF ALL SCHEDULED COMMERCIAL BANKS, RRBS HAVE EFFECTIVELY LEVERAGED THEIR HIGH PRIORITY SECTOR LENDING PORTFOLIO BY ISSUING PSLCS AND EARNING FEE INCOME FROM THE SAME. DURING FY 2021-22, THE TOTAL VOLUME OF PSLCS TRADED BY ALL BANKS IN THE MARKET WAS ₹ 6.62 LAKH CRORE. RRBS ACCOUNTED FOR 35% OF THE TOTAL VOLUME OF PSLCS TRADED IN THE MARKET.

SINCE NEARLY 48% OF THE TOTAL LOAN PORTFOLIO OF THE RRBS ARE TOWARDS SMALL AND MARGINAL FARMERS, RRBS HAVE BEEN THE MAJOR ISSUERS OF PSLCS UNDER THIS CATEGORY IN THE MARKET. OF THE TOTAL VOLUME OF PSLC- SF/MF TRADED IN THE MARKET (₹ 2.29 LAKH CRORE), RRBS ACCOUNTED FOR 52% (₹ 1.18 LAKH CRORE) OF THE TOTAL TRADED VOLUME. SINCE PSLC-SF/MF IS PRICED AT A PREMIUM IN COMPARISON TO THE PSLC-GENERAL CATEGORY, RRBS ISSUE PSLCS UNDER SF/MF CATEGORY AND COMPENSATE FOR THE SAME BY PURCHASING PSLCS UNDER GENERAL CATEGORY.

RRBS MADE A NET PROFIT OF ₹ 2,303 CRORE THROUGH PSLC TRANSACTIONS DURING FY 2021-22 (YOY GROWTH OF 32%). THE DETAILS OF PSLCS ISSUED AND PURCHASED BY RRBS UNDER EACH CATEGORY ARE GIVEN IN FOLLOWING BANK PERFORMANCE.

THE ACHIEVEMENT OF RRBS AGAINST THE VARIOUS TARGETS/SUB-TARGETS PRESCRIBED BY RBI AND THE LIST OF RRBS NOT MEETING THE TARGETS/SUB-TARGETS PRESCRIBED UNDER THE PSL LENDING GUIDELINES ARE PRESENTED IN THE FOLLOWING BANK PERFORMANCE.

9.2 AGENCY-WISE CREDIT FLOW TO AGRICULTURE

THE TOTAL CREDIT FLOW TO AGRICULTURE DURING FY 2021-22 WAS ₹ 18.63 LAKH CRORE AND IT WITNESSED A GROWTH OF 18.3% VIS-À-VIS FY 2020-21. THE AGENCY-WISE DISBURSEMENT DURING THE LAST FOUR-YEAR PERIOD BY ALL AGENCIES IS GIVEN IN TABLE BELOW. THOUGH THE GLC (GROUND LEVEL CREDIT) FLOW TO AGRICULTURE DISBURSED BY RRBS GREW BY 7.4% DURING FY 2021-22, THE SHARE OF RRBS IN GLC marginally declined from 12.1% IN 2020-21 TO 11.0% IN 2021-22 AS THE CREDIT DISBURSED BY COOPERATIVES (27.2%) AND COMMERCIAL BANKS (18.5%) GREW BY A GREATER EXTENT.

9.3 TOTAL AGRI. CREDIT FLOW-TARGET AND ACHIEVEMENT

DURING THE YEAR 2021-22, RRBS HAVE ACHIEVED 95% OF THEIR GLC TARGET. THOUGH THE ACHIEVEMENT (%) IN THE TERM LOAN IMPROVED FROM 69% TO 75% DURING FY 2021-22, THE OVERALL ACHIEVEMENT (%) AGAINST THE TARGET DECLINED FROM 99% TO 95%. WHILE THE TERM LOANS DISBURSED BY RRBS GREW BY 11.2% DURING FY 2021-22, THE CROP LOANS GREW BY 6.7%. THE ACHIEVEMENT AGAINST THE TARGETS UNDER GLC DURING THE LAST FOUR YEARS IS GIVEN IN FOLLOWING TABLE.

10. WORKING RESULTS

10.1 PROFITABILITY

AFTER TWO CONSECUTIVE YEARS OF LOSSES IN FY 2018-19 & FY 2019-20, RRBS, AS A WHOLE, REPORTED A CONSOLIDATED NET PROFIT OF ₹ 1,682 CRORE DURING FY 2020-21. THE NET PROFIT FURTHER INCREASED BY 91% TO ₹ 3,219 CRORE DURING FY 2021-22.

RRBS REPORTED CONSOLIDATED NET LOSSES IN FY 2018-19, FOR THE FIRST TIME SINCE FY 1996-97 BECAUSE OF IMPLEMENTATION OF REGIONAL RURAL BANK (EMPLOYEES') PENSION SCHEME, 2018 WITH EFFECT FROM 1 APRIL 2018 AFTER THE VERDICT OF THE HON'BLE SUPREME COURT.

CONSIDERING HUGE PENSION LIABILITY ON ACCOUNT OF IMPLEMENTATION OF THE PENSION SCHEME, RBI HAS PERMITTED RRBS TO AMORTIZE THEIR TOTAL PENSION LIABILITY OVER A PERIOD OF FIVE YEARS FROM 2018-19, SUBJECT TO A MINIMUM OF 20 PER CENT OF THE PENSION LIABILITY ASSESSED EVERY YEAR.

DURING FY 2021-22, 34 RRBS POSTED PROFIT OF ₹ 4,116 CRORE AND 9 RRBS INCURRED LOSSES OF ₹ 897 CRORE. DURING FY 2021-22, THE NUMBER OF LOSS-MAKING RRBS DECREASED TO 9 IN COMPARISON TO THE 13 RRBS WHICH INCURRED LOSSES DURING FY 2020-21.

4 RRBS VIZ. ASSAM GRAMIN VIKASH BANK, MADHYANCHAL GRAMIN BANK, ODISHA GRAMYA BANK AND UTKAL GRAMEEN BANK HAVE REPORTED NET PROFIT IN FY 2021-22 AFTER 4 YEARS OF CONSECUTIVE LOSSES (5 YEARS IN CASE OF MADHYANCHAL GB AND UTKAL GB).

OF THE 30 RRBS WHICH POSTED PROFIT IN FY 2020-21 (PREVIOUS YEAR):

- THE NET PROFIT OF 22 RRBS INCREASED DURING FY 2021-22.
- IN CASE OF 8 RRBS, THE NET PROFITS DECREASED IN FY 2021-22.

OF THE 13 RRBS WHICH INCURRED LOSSES IN FY 2020-21 (PREVIOUS YEAR):

- 4 RRBS TURNED PROFIT MAKING: ASSAM GRAMIN VIKASH BANK, MADHYANCHAL GRAMIN BANK, ODISHA GRAMYA BANK AND UTKAL GRAMEEN BANK
- IN CASE OF 5 RRBS, THE EXTENT OF LOSSES INCURRED DURING FY 2021-22 HAVE DECREASED IN COMPARISON TO PREVIOUS FY- UTTAR BIHAR GRAMIN BANK, MADHYA PRADESH GRAMIN BANK, VIDHARBHA KONKAN GRAMIN BANK, MANIPUR, RURAL BANK, NAGALAND RURAL BANK.
- IN CASE OF 4 RRBS, THE EXTENT OF LOSSES INCURRED DURING FY 2021-22 HAVE INCREASED IN COMPARISON TO PREVIOUS FY- DAKSHIN BIHAR GRAMIN BANK, ELLAQUAI DEHATI BANK, J & K GRAMEEN BANK, PASCHIM BANGA GRAMIN BANK.

THE REASONS FOR IMPROVEMENT IN PROFITABILITY OF RRBS DURING FY 2021-22 ARE PROVIDED BELOW:

- AS THE INTEREST INCOME GREW BY 2.7%, THE INTEREST EXPENDED BY THE RRBS DECREASED BY 3% DURING FY 2021-22 (DUE TO GREATER DECLINE IN COST OF FUNDS). AS A RESULT, THE NET INTEREST INCOME GREW BY 9.5% DURING FY 2021-22 AND THE NET INTEREST MARGIN (NIM (%)) IMPROVED TO 3.49% DURING FY 2021-22 IN COMPARISON TO 3.44% DURING PREVIOUS YEAR)
- HEALTHY GROWTH IN MISCELLANEOUS INCOME- RRBS HAVE EFFECTIVELY UTILIZED THEIR HIGH PRIORITY SECTOR LENDING (PSL) PORTFOLIO (PARTICULARLY THEIR AGRI. & SF/MF PORTFOLIO) TO AUGMENT THEIR MISCELLANEOUS INCOME BY ISSUANCE OF PSLCS (PRIORITY SECTOR LENDING CERTIFICATES). O IMPROVEMENT IN ASSET QUALITY AND CD RATIO.
- MODERATE DECLINE IN COST OF MANAGEMENT AFTER THE SPIKE WITNESSED SINCE FY 2018-19 ON ACCOUNT OF IMPLEMENTATION OF PENSION SCHEME.

10.2 VIABILITY

MAJORITY OF RRBS, I.E. 27 OF 43 RRBS WERE HAVING SUSTAINABLE VIABILITY (IN PROFIT WITH NO ACCUMULATED LOSS) AS ON 31 MARCH 2022. 7 RRBS POSTED PROFIT DURING FY 2021-22 BUT HAD ACCUMULATED LOSSES FROM EARLIER YEARS. 9 RRBS HAD INCURRED LOSSES DURING FY 2021-22 AND HAD ACCUMULATED LOSSES. AS ON 31 MARCH 2022, 16 RRBS CARRIED ACCUMULATED LOSSES OF ₹ 9,062 CRORE AS AGAINST THE ACCUMULATED LOSSES OF ₹ 8,264 CRORE REPORTED BY 17 RRBS AS ON 31 MARCH 2021.

OF THE 9 RRBS WHICH INCURRED LOSSES DURING FY 2021-22 AND CARRIED ACCUMULATED LOSSES AS ON 31 MARCH 2022:

- 3 WERE IN EASTERN REGION (BIHAR (2), WEST BENGAL (1))
- 2 WERE IN NORTH-EASTERN REGION (MANIPUR AND NAGALAND)
- 2 WERE IN NORTHERN REGION (JAMMU & KASHMIR)
- ONE EACH IN WESTERN REGION (MAHARASHTRA) AND CENTRAL REGION (MADHYA PRADESH).

ALL RRBS IN SOUTHERN REGION HAD CURRENT/SUSTAINABLE VIABILITY AS AT THE END OF FY 2022.

11. FINANCIAL COSTS & MARGINS

IN A DECREASING INTEREST RATE REGIME, WHICH WAS PREVALENT DURING FY 2021-22, THE YIELD AND COST RATIOS OF RRBS CONTINUED TO DECREASE DURING FY 2021-22. SINCE THE COST OF FUNDS DECLINED BY A GREATER MARGIN DURING FY 2021-22 (43 BPS) IN COMPARISON TO THE DECLINE IN YIELD ON ASSETS (37 BPS), THE NET INTEREST MARGIN OF RRBS MARGINALLY IMPROVED TO 3.49% DURING FY 2021-22. FURTHER, THE STEADY DECLINE IN COST OF MANAGEMENT AND THE CONTINUOUS IMPROVEMENT IN MISCELLANEOUS INCOME (LARGELY DUE TO PSLCS) HAS RESULTED IN IMPROVEMENT IN RETURN ON ASSETS FROM 0.27% IN FY 2020-21 TO 0.48% IN FY 2021-22.

12. ASSET QUALITY

CONSOLIDATED GROSS NON-PERFORMING ASSETS OF RRBS WHICH WAS 6.80% AS ON 31 MARCH 2016 CONSISTENTLY INCREASED TO 10.8% AS AT END OF FY 2018-19 ON ACCOUNT OF TRANSITION TO A TRANSPARENT REGIME OF SYSTEM-BASED RECOGNITION OF NPAS.

9.1% AS ON 31 MARCH 2022. THE POSITION OF NET NPA (%) AND PROVISION COVERAGE RATIO (%) HAS ALSO CONSISTENTLY IMPROVED OVER THE PREVIOUS 3 YEARS.

34 OF THE 43 RRBS HAVE REPORTED LESSER GNPA (%) AS ON 31 MARCH 2022 VIS-A-VIS THE POSITION AS ON 31 MARCH 2021. OF THESE, 30 RRBS HAVE REPORTED ABSOLUTE REDUCTION IN GNPA (AMOUNT) MOSTLY ON ACCOUNT OF BETTER RECOVERY PERFORMANCE. 5 RRBS HAD GNPA (%) GREATER THAN 20% AS ON 31 MARCH 2022. THE GNPA (%) OF 4 OF THESE 5 RRBS (EXCEPT DAKSHIN BIHAR GB) DECREASED DURING FY 2021-22.

WHILE THE SHARE OF DOUBTFUL ASSETS IN TOTAL LOANS DECLINED FROM 6.2% TO 5.8%, THE SHARE OF DOUBTFUL ASSETS INCREASED FROM 2.9% TO 3.1%.

THOUGH MSME AND EDUCATION SECTORS ACCOUNT FOR JUST 12% AND 1% OF THE CREDIT PORTFOLIO OF RRBS, SECTOR-WISE NPAS HIGHLIGHT HIGH NPAS IN THESE 2 SECTORS.

- MSME SECTOR- GNPA (%) DECLINED FROM 19.4% AS ON 31 MARCH 2021 TO 16% AS ON 31 MARCH 22.
- EDUCATION SECTOR- GNPA (%) DECLINED FROM 19.4% AS ON 31 MARCH 2021 TO 16% AS ON 31 MARCH 22.

AGRICULTURE LOANS ACCOUNT FOR ALMOST 70% OF THE CREDIT PORTFOLIO OF RRBS AND GNPA (%) IN AGRI. PORTFOLIO OF RRBS WAS 9.1% AS ON 31 MARCH 2022 (MARGINALLY INCREASED FROM 8.3% AS ON 31 MARCH 2021). INFORMATION ON PORTFOLIO-WISE NPA (%) ARE GIVEN IN BANK PERFORMANCE.

THE MEASURES TAKEN FOR REDUCTION IN NPAS INCLUDE THE FOLLOWING:

- REVIEW OF STATUS OF NPAS HAS BEEN IN THE AGENDA OF ALL THE MEETINGS CONDUCTED BY NABARD TO REVIEW PERFORMANCE OF RRBS, IN WHICH ALL THE STAKEHOLDERS INCLUDING GOVERNMENT OF INDIA PARTICIPATE.
- RRBS HAVING INTER ALIA GROSS NPAS OF MORE THAN 10% HAVE BEEN IDENTIFIED AS 'RRBS IN FOCUS' AND ADVISED TO PREPARE MONITORABLE ACTION PLANS TO REDUCE THE LEVEL OF NPA AND REVIEW THE SAME IN THE BOARD MEETINGS.
- REVIEW MEETINGS OF THE 'RRBS IN FOCUS' ARE CONDUCTED TO REVIEW THE POSITION AND TAKE REMEDIAL MEASURES.
- NABARD HAS DIRECTED ALL RRBS TO COMPULSORILY ON-BOARD INTO THE SYSTEM GENERATED NPAS PLATFORM.
- RRBS HAVE INFORMED IN THE REVIEW MEETINGS THAT NPA MANAGEMENT CELLS HAVE BEEN CREATED IN RRBS TO MONITOR THE RECOVERY AND ENSURE TARGETED REDUCTION IN NPAS.
- AT RRB LEVEL, ALL CHAIRMEN WITH THE ASSISTANCE OF THEIR REGIONAL MANAGERS ARE MONITORING BRANCH WISE NPA POSITION NOT ONLY TO IMPROVE THE POSITION, BUT ALSO TO MAKE EFFORTS TO CONTAIN THE GROWTH IN NPAS.
- ALL RRBS ON A REGULAR BASIS ORGANIZE RECOVERY CAMPS AND FOLLOW OTHER RECOVERY STRATEGIES TO REDUCE THE LEVEL OF NPAS.

13. PRODUCTIVITY

THE PRODUCTIVITY OF RRBS, BOTH IN TERMS OF BUSINESS PER BRANCH AND PER EMPLOYEE, HAS SHOWN STEADY IMPROVEMENT OVER THE YEARS AND STOOD AT ₹ 39.3 CRORE AND ₹ 9.8 CRORE AS ON 31 MARCH 2021, RESPECTIVELY.

14. CREDIT DEPOSIT RATIO (CD RATIO)

AIDED BY HEALTHY CREDIT GROWTH, THE CD RATIO OF RRBS HAS WITNESSED A STEADY IMPROVEMENT OVER THE PAST 2 YEARS. THE CD RATIO WHICH WAS 62.3% AS ON 31 MARCH 2020 IMPROVED TO 63.6% AS ON 31 MARCH 2021 AND FURTHER IMPROVED TO 64.5% AS ON 31 MARCH 2022. THE NUMBER OF RRBS WITH CD RATIO LESS THAN 40% HAS REDUCED FROM 13 AS ON 31 MARCH 2020 TO 8 AS ON 31 MARCH 2022. THE NUMBER OF RRBS IN DIFFERENT RANGE OF CD RATIO DURING THE PREVIOUS 3 YEARS IS GIVEN IN TABLE BELOW. WHILE THE SOUTHERN AND WESTERN STATES HAD HEALTHY CD RATIO, THE CD RATIO OF RRBS IN EASTERN, NORTH-EASTERN, AND CENTRAL STATES WAS RELATIVELY LOWER.

15. PERFORMANCE IN GOVERNMENT SCHEMES

THOUGH RRBS ACCOUNT FOR JUST 3.2% OF THE TOTAL DEPOSITS OF SCHEDULED COMMERCIAL BANKS (SCBS) AND 3.0% OF TOTAL LOANS OF SCBS, THEY CATER TO 12.8% OF DEPOSIT ACCOUNTS AND 8.5% OF LOAN ACCOUNTS OF SCBS. THEY HAVE A HUGE BRANCH NETWORK ACCOUNTING FOR 14.3% OF SCB BRANCHES IN THE COUNTRY AND THEY ACCOUNT FOR NEARLY 30% OF ALL RURAL BRANCHES IN INDIA. THEIR SHARE IN TOTAL BUSINESS IS LOW COMPARED TO THE NUMBER OF ACCOUNTS THEY CARTER TO BECAUSE THEY PRIMARILY SERVE THE FINANCIAL INCLUSION NEEDS OF THE SMALL AND MARGINAL FARMERS, AGRICULTURAL LABOURERS, ARTISANS, AND WEAKER SECTIONS OF THE SOCIETY. AS A RESULT, THEY ALSO PLAY AN IMPORTANT ROLE IN FINANCIAL INCLUSION SCHEMES OF GOVERNMENT OF INDIA.

PART II

POLICY INITIATIVES AND SUPPORT FOR DEVELOPMENT OF RRBS DURING FY 2021-22

1. CGTMSE- RELAXATION IN CRITERIA FOR REGISTRATION

THE CRITERIA FOR REGISTRATION/RE-REGISTRATION OF RRBS AS MEMBER LENDING INSTITUTIONS (MLIS) WITH CGTMSE HAS BEEN RELAXED AND THE CRITERION MANDATING 'A' RATING (SCORE OF 75 AND ABOVE) UNDER NABARD COMPOSITE RATING MODEL HAS BEEN REMOVED (NOTIFICATION DATE 8 OCTOBER 2021). FURTHER, IN VIEW OF GROWING NEED OF CREDIT IN RURAL ECONOMY, CGTMSE HAS DECIDED TO ALLOW RETAIL TRADE AS AN ELIGIBLE ACTIVITY UNDER THE SCHEME FOR RRBS FOR CREDIT FACILITIES UP TO ₹ 50 LAKH (THE MAXIMUM LIMIT FOR COVERAGE FOR RRBS).

2. REFINANCE SUPPORT FROM NABARD- RELAXATION IN CRITERIA

NABARD EXTENDS REFINANCE TO BANKS FOR SUPPLEMENTING THEIR RESOURCES FOR SHORT-TERM (ST) AND LONG-TERM (LT) LENDING. REFINANCE INCREASES GROUND LEVEL CREDIT AND BOOSTS CAPITAL FORMATION IN AGRICULTURE BY MAKING AVAILABLE FUNDS AT LOW INTEREST RATES TO FINANCIAL INSTITUTIONS.

TO SUPPORT THE CONTINUED FLOW OF CREDIT TO AGRICULTURE AND ALLIED ACTIVITIES, THE RURAL NONFARM SECTOR IN THE AFTERMATH OF THE COVID-19 PANDEMIC, RBI HAD ANNOUNCED SPECIAL LIQUIDITY FACILITY (SLF) TO NABARD FOR SUPPORTING LENDING OPERATIONS OF RRBS, COOPERATIVE BANKS AND NBFC-MFIS.

THE REFINANCE SUPPORT EXTENDED BY NABARD TO RRBS DURING FY 2021-22 WAS ₹ 49,758 CRORE AND THIS WAS 78% GREATER THAN THE REFINANCE SUPPORT PROVIDED IN FY 2019-20. DURING THE PREVIOUS 2 YEARS NABARD HAS TAKEN THE FOLLOWING STEPS TO INCREASE THE REFINANCE SUPPORT FOR RRBS. NABARD ADOPTED A LIBERAL POLICY TO EXTEND REFINANCE TO RRBS. NABARD APPLIED ITS OWN INTERNAL RISK-RATING TOOL AND EXTENDED REFINANCE TO RRBS THAT WOULD HAVE OTHERWISE BEEN INELIGIBLE. THE PRIMARY ELIGIBILITY CRITERIA OF CRAR, NET NPA AND NET PROFIT FOR AVAILING REFINANCE HAS BEEN WAIVED AND BOTH ST AND LT REFINANCE WAS EXTENDED TO ALL RRBS WITH INTERNAL RISK RATING CATEGORY OF NBD1 TO NBD7:

- NABARD HAS ALLOCATED 25% OF THE CORPUS OF THE SHORT TERM RRB FUND AND LONG-TERM RURAL CREDIT FUND (LTRCF) TO RRBS IN CREDIT-STARVED DISTRICTS.
- AS A RESULT OF THESE STEPS, THE NUMBER OF RRBS AVAILING REFINANCE HAS INCREASED FROM 27 IN FY 2019-20 TO 42 IN FY 2021-22.

3. REVIEW MEETS ON PERFORMANCE OF RRBS

THE PERFORMANCE OF RRBS IS REGULARLY MONITORED BY NABARD. DURING 2021-22, 2 STRATEGY PLAN MEETINGS WERE CONVENED IN THE VERY BEGINNING OF THE FINANCIAL YEAR TO FIRM UP THE STRATEGY TO BE ADOPTED DURING FY 2021-22. A FIVE-FOLD STRATEGY WAS PROPOSED TO BE ADOPTED BY THE RRBS WHICH INCLUDED.

1. IMPROVING CD RATIO THROUGH LOAN DIVERSIFICATION.
2. EMULATING BEST TECHNOLOGY PRACTICES OF NICHE BANKS OPERATING IN RURAL AREAS.
3. IDENTIFYING PRO-FORMA NPAs AND SUITABLY PROVIDING FOR THEM IN THEIR BALANCE SHEETS.
4. ACTIVE PARTICIPATION IN GOVERNMENT SCHEMES/PACKAGE.
5. INTRODUCING NEW CREDIT PRODUCTS CUSTOMIZED TO THEIR AREA OF OPERATIONS.

NATIONAL CONCLAVE CUM REVIEW MEETING OF RRBS WAS ORGANIZED IN PHYSICAL MODE ON 6 DECEMBER 2021 WHERE CHAIRMEN OF RRBS FROM ACROSS THE ACROSS PRESENTED SOME OF THE BEST PRACTICES ADOPTED IN THEIR BANKS TO FACILITATE KNOWLEDGE SHARING AND EMULATION IN OTHER BANKS.

RRBS MEETING ANY ONE OF THE THREE CRITERIA VIZ. CRAR LESS THAN 10%, GNPA MORE THAN 10%, HAVING NEGATIVE RETURN ON ASSETS (%) FOR THE LAST TWO CONSECUTIVE YEARS ARE CLASSIFIED AS 'RRBS IN FOCUS'. FOR EFFECTIVE MONITORING OF SUCH WEAK RRBS IDENTIFIED AS 'RRBS IN FOCUS', NATIONAL REVIEW MEET OF 'RRBS IN FOCUS' WAS CONDUCTED ON 7 DECEMBER 2021 TO ENABLE THEM TO MAKE NECESSARY COURSE CORRECTIONS IN THEIR MONITORABLE ACTION PLANS (MAPS) AND

IMPROVE THEIR FINANCIAL PERFORMANCE. THE MECHANISM OF 'RRBS IN FOCUS' SERVES AS A SIGNAL OF CAUTION TO THE RRBS TO INITIATE REMEDIAL MEASURES TO AVOID FURTHER DETERIORATION OF FINANCIALS AND SLIPPAGE INTO THE 'PROMPT CORRECTIVE ACTION' (PCA) FRAMEWORK.

BASED ON THE AUDITED FINANCIAL POSITION AS ON 31 MARCH 2022, THERE ARE 16 'RRBS IN FOCUS' IN COMPARISON TO 23 RRBS AS ON 31 MARCH 2021. THE PERFORMANCE IN CASE OF 8 OF THE 23 RRBS WHICH WERE UNDER THE FRAMEWORK HAS HOLISTICALLY IMPROVED AND HENCE THEY HAVE MOVED OUT OF THE FRAMEWORK DURING FY 2021-22 VIZ.

1. KARNATAKA VIKAS GRAMEENA BANK
2. KERALA GRAMIN BANK
3. MAHARASHTRA GRAMIN BANK
4. MEGHALAYA RURAL BANK
5. MIZORAM RURAL BANK
6. RAJASTHAN MARUDHARA GRAMIN BANK
7. UTTARAKHAND GRAMIN BANK
8. UTTAR BANGA KSHETRIYA GRAMIN BANK.

HIMACHAL PRADESH GB HAS ENTERED THE FRAMEWORK DURING FY 2021-22 BASED ON ITS AUDITED POSITION AS ON 31 MARCH 2022 ON ACCOUNT OF DECLINE IN CRAR BELOW 10% (9.47% AS ON 31 MARCH 22).

4. AMALGAMATION OF RRBS

REGIONAL RURAL BANKS (RRBS) WERE ESTABLISHED IN 1975 WITH THE MANDATE TO BRING TOGETHER THE POSITIVE FEATURES OF CREDIT CO-OPERATIVES AND COMMERCIAL BANKS IN ORDER TO ADDRESS THE CREDIT NEEDS OF BACKWARD SECTIONS IN RURAL AREAS. THEY ARE REGULATED BY THE RESERVE BANK AND SUPERVISED BY THE NABARD. THE RBI CONSTITUTED A COMMITTEE UNDER THE CHAIRMANSHIP OF PROFESSOR V S VYAS ON "FLOW OF CREDIT TO AGRICULTURE AND RELATED ACTIVITIES FROM THE BANKING SYSTEM" WHICH EXAMINED RELEVANCE OF RRBS IN THE RURAL CREDIT SYSTEM AND THE ALTERNATIVES FOR MAKING IT VIABLE. RBI'S REPORT OF THE INTERNAL WORKING GROUP ON RRBS, HEADED BY SHRI A.V. SARDESAI RECOMMENDED AMALGAMATION OF RRBS TO IMPROVE THE OPERATIONAL VIABILITY OF RRBS AND TAKE ADVANTAGE OF THE ECONOMIES OF SCALE. THE CONSOLIDATION PROCESS WAS INITIATED BY GOI IN THE YEAR FY 2005-06.

FIRST PHASE OF AMALGAMATION WAS INITIATED SPONSOR BANK-WISE WITHIN A STATE IN 2005 AND THE SECOND PHASE WAS ACROSS THE SPONSOR BANKS WITHIN A STATE DURING 2012-2015. AS A RESULT OF TWO ROUNDS OF AMALGAMATION, THE NUMBER OF RRBS REDUCED FROM 196 TO 56 AND SUCCEEDED IN BRINGING BETTER EFFICIENCY, HIGHER PRODUCTIVITY, ROBUST FINANCIAL HEALTH OF RRBS, IMPROVED FINANCIAL INCLUSION AND GREATER CREDIT FLOW TO RURAL AREAS.

GOVERNMENT OF INDIA INITIATED THE PROCESS OF THIRD PHASE OF AMALGAMATION OF RRBS IN FY 2018-19 ON THE PRINCIPLE OF 'ONE STATE - ONE RRB', IN SMALLER STATES AND REDUCTION IN NUMBER OF RRBS IN LARGER STATES AIMING AT REDUCTION IN TOTAL NUMBER OF RRBS. THE NEW AMALGAMATED RRBS IN THE STATES OF BIHAR AND PUNJAB CAME INTO EXISTENCE ON 1 JANUARY 2019. AS ON 31 MARCH 2019, THERE WERE 53 RRBS IN THE COUNTRY.

WITH EFFECT FROM 1 APRIL 2019, 16 RRBS IN THE 7 STATES OF ASSAM, GUJARAT, JHARKHAND, KARNATAKA, MADHYA PRADESH, TAMIL NADU AND UTTAR PRADESH WERE AMALGAMATED TO FORM 8 NEW RRBS, BRINGING DOWN THE TOTAL NUMBER OF RRBS IN THE COUNTRY TO 45.

DURING FY 2020-21, 3 RRBS IN UTTAR PRADESH VIZ. BARODA UTTAR PRADESH GRAMIN BANK, KASHI GOMTI SAMYUT GRAMIN BANK AND PURVANCHAL BANK AMALGAMATED TO FORM BARODA U.P. BANK UNDER THE SPONSORSHIP OF BANK OF BARODA WITH EFFECT FROM 1 APRIL 2020. AS A RESULT, THE NUMBER OF RRBS IN INDIA REDUCED TO 43 WITH EFFECT FROM 1 APRIL 2020. BECAUSE OF THE AMALGAMATION WITHIN PUBLIC SECTOR BANKS, THE NUMBER OF SPONSOR BANKS ALSO REDUCED FROM 15 TO 12 WITH EFFECT FROM 1 APRIL 2020.

THERE WERE NO AMALGAMATIONS IN FY 2021-22.

5. RAISING OF CAPITAL FROM SOURCES OTHER THAN FROM THE EXISTING STAKEHOLDERS.

IN TERMS OF THE REGIONAL RURAL BANKS (AMENDMENT ACT), 2015, AUTHORISED CAPITAL OF AN RRB HAS BEEN RAISED FROM ₹5 CRORE TO ₹2,000 CRORE. THE AMENDMENT ALSO PROVIDES THAT THE COMBINED SHAREHOLDING OF CENTRAL GOVERNMENT AND SPONSOR BANK SHOULD NOT BE LESS

THAN 51%, WHICH PAVES THE WAY FOR RAISING OF CAPITAL FROM SOURCES OTHER THAN THE EXISTING STAKEHOLDERS. THE AMENDMENTS TO THE ACT HAVE BEEN BROUGHT INTO FORCE WITH EFFECT FROM 4TH FEBRUARY 2016.

GOVERNMENT OF INDIA, MINISTRY OF FINANCE, DEPARTMENT OF FINANCIAL SERVICES (RRB DIVISION), CONSTITUTED A COMMITTEE IN MAY 2018 UNDER THE CHAIRMANSHIP OF DMD, NABARD WITH GENERAL MANAGERS OF 3 SPONSOR BANKS AS MEMBERS, TO EXAMINE VARIOUS OPTIONS AVAILABLE FOR RAISING CAPITAL BY RRBS. THE COMMITTEE HAS SUBMITTED THE REPORT TO THE GOVERNMENT OF INDIA.

RESERVE BANK OF INDIA VIDE CIRCULAR DATED 1 NOVEMBER 2019 PERMITTED RRBS TO ISSUE PERPETUAL DEBT INSTRUMENTS (PDI) ELIGIBLE FOR INCLUSION AS TIER 1 CAPITAL SO AS TO MAINTAIN PRESCRIBED CRAR.

DURING FY 2021-22 MAHARASHTRA GRAMIN BANK ISSUED PDIS, ELIGIBLE FOR INCLUSION UNDER ADDITIONAL TIER I CAPITAL, AMOUNTING TO ₹ 90 CRORE AND THE SAME WAS SUBSCRIBED TO BY ITS SPONSOR BANK VIZ. BANK OF MAHARASHTRA.

6. EMPANELMENT OF STATUTORY AUDITORS FOR RRBS

IN TERMS OF SECTIONS 19(1) AND 19(2) OF THE REGIONAL RURAL BANKS ACT, 1976, EACH RRB IS REQUIRED TO APPOINT AUDITORS FOR THE STATUTORY AUDIT OF ITS ACCOUNTS AS ALSO FIX THE REMUNERATION PAYABLE TO THEM, WITH THE PRIOR APPROVAL OF THE GOVERNMENT OF INDIA. THE GOVERNMENT OF INDIA HAS ISSUED DETAILED GUIDELINES IN THIS REGARD. AS PER THESE GUIDELINES, NABARD WILL RECOMMEND THE LIST OF AUDITORS TO THE GOVERNMENT OF INDIA FOR APPROVAL. THE LIST OF AUDITORS FOR STATUTORY AUDIT OF ACCOUNTS OF RRBS FOR FY 2021-22 WAS ADVISED TO THE BANKS ON 31 MARCH 2022 AND THE PROCESS OF STATUTORY AUDIT WAS COMPLETED IN ALL RRBS BY THE STIPULATED DUE DATE OF 30 JUNE 2022. THE PROCESS OF FINALIZING LIST OF AUDITORS FOR CONDUCTING STATUTORY AUDIT OF RRBS FOR FY 2022-23 IS UNDERWAY.

7. RECAPITALIZATION OF REGIONAL RURAL BANKS

A SCHEME FOR RECAPITALIZATION TO ENABLE RRBS ACHIEVE AND MAINTAIN CRAR OF OVER 9% WAS APPROVED BY THE UNION CABINET IN ITS MEETING HELD ON 10TH FEBRUARY, 2011. POST 2011, THE SCHEME FOR RECAPITALIZATION OF RRBS WAS EXTENDED IN A PHASED MANNER AS FOLLOWS:

- A. **10 FEBRUARY 2011 TO 24 MARCH 2020:** FINANCIAL SUPPORT OF ₹ 2,900 CRORE (WITH 50% GOVERNMENT OF INDIA'S SHARE OF ₹ 1,450 CRORE)
- B. **25 MARCH 2020 TO 31 MARCH 2021:** THE CABINET COMMITTEE ON ECONOMIC AFFAIRS (CCEA) IN ITS MEETING HELD ON 25 MARCH 2020 GAVE ITS APPROVAL FOR CONTINUATION OF THE PROCESS OF RECAPITALIZATION OF RRBS FOR ANOTHER YEAR BEYOND FY 2019-20, THAT IS, UP TO FY 2020-21 FOR THOSE RRBS WHICH ARE UNABLE TO MAINTAIN MINIMUM CRAR OF 9% AND APPROVED UTILIZATION OF ₹ 1,340 CRORE (WITH 50% GOI SHARE OF ₹ 670 CRORE). ₹ 940 CRORE OF THIS NEW TRANCHE OF ₹ 1,340 CRORE WAS SANCTIONED IN FY 2019-20 AND THE REMAINING AMOUNT OF ₹ 400 CRORE WAS SANCTIONED IN FY 2020-21.
- C. THE DEVELOPMENTS PERTAINING TO RECAPITALIZATION IN FY 2021-22 HAVE BEEN ENUMERATED IN SECTION B (2) OF PART I UNDER THE HEADING "UNPRECEDENTED CAPITAL SUPPORT FOR RRBS".

8. MATTERS RELATING TO HUMAN RESOURCE DEVELOPMENT OF RRBS

NABARD LOOKS AFTER VARIOUS HR ISSUES PERTAINING TO RRBS AND FORWARDS ITS OPINION TO GOVERNMENT OF INDIA ON MATTERS RELATING TO APPOINTMENT AND PROMOTION, SERVICE REGULATIONS, MANPOWER PLANNING/STAFFING PATTERN, POST-RETIREMENT BENEFITS INCLUDING PENSION AND VARIOUS STAFF WELFARE MEASURES.

I. PAY AND ALLOWANCES

THE STAFF OF RRBS ARE GENERALLY DRAWING PAY AND ALLOWANCES AT PAR WITH THEIR COUNTERPARTS IN PUBLIC SECTOR BANKS. THE REVISED PAY AND ALLOWANCES OF RRB STAFF, PURSUANT TO THE 11TH BIPARTITE SETTLEMENT/8TH JOINT NOTE FOR PUBLIC SECTOR BANKS, WERE APPROVED IN APRIL 2021. IN GENERAL, THE REVISED PAY STRUCTURE AND PART I & PART II ALLOWANCES HAVE ALREADY BEEN IMPLEMENTED IN ALL RRBS.

DFS, GOI VIDE ITS LETTER F.NO. 8/1/2021-RRB DATED 14 SEPTEMBER 2022 APPROVED THE FOLLOWING 4 OTHER ALLOWANCES/BENEFITS TO THE OFFICERS/STAFF OF RRBS AS PER THE 11TH BIPARTITE SETTLEMENT/8TH JOINT NOTE.

THE ABOVE ALLOWANCES WERE TO BE EXTENDED AFTER SEEKING APPROVAL OF THE RESPECTIVE BOARD OF DIRECTORS OF RRBS.

II. PENSION SCHEME

ALL RRBS HAVE ADOPTED THE MODEL PENSION SCHEME APPROVED BY THE GOVT. OF INDIA, AT PAR WITH NATIONALIZED BANKS, WITH EFFECT FROM 01 APRIL 2018. HOWEVER, CERTAIN ISSUES RELATING TO THE MODEL PENSION SCHEME ARE UNDER LITIGATION AT VARIOUS COURTS OF LAW. NABARD HAS ALSO SEPARATELY PROPOSED CERTAIN AMENDMENTS TO THE RRB PENSION REGULATIONS TO THE GOVT. OF INDIA.

CONSEQUENT TO THE IMPLEMENTATION OF THE PENSION SCHEME, THE RRBS ARE REQUIRED TO PROVIDE FOR TOTAL PENSION LIABILITY OF RS 27,444 CRORE (ASSESSED BY THEM THROUGH ACTUARIAL VALUATION). RBI HAS PERMITTED THE RRBS TO AMORTIZE THE PENSION LIABILITY OVER A PERIOD OF FIVE YEARS (2018-19 TO 2022-23).

III. EXCLUSION UNDER EPF AND MP ACT, 1952

NABARD HAS TAKEN UP WITH THE ADDL CPFC (COMPLIANCE, LEGAL & RECOVERY), EPFO, NEW DELHI FOR ISSUE OF SUITABLE ADVICE TO THE ZONAL RPFCS FOR REFUND OF BALANCES AS REQUESTED BY THE RRBS AND TO ISSUE FORMAL COMMUNICATION, IF ANY, IN REGARD TO EXCLUSION OF RRBS, UNDER SECTION 16 OF THE EPF & MP ACT, 1952.

NABARD LOOKS AFTER VARIOUS HR ISSUES PERTAINING TO RRBS AND FORWARDS ITS OPINION TO GOVERNMENT OF INDIA ON MATTERS SUCH AS RECRUITMENT, PROMOTION AND PLACEMENT, MANPOWER PLANNING IN RRBS, OUTSOURCING OF NON-CORE FUNCTIONS OF RRBS, PAYMENT / RELEASE OF EMPLOYEES' / BANKS' CONTRIBUTION TO PROVIDENT FUND ON DISMISSAL / DISCIPLINARY PROCEEDINGS, POST- RETIREMENT BENEFITS, CLARIFICATION ON RELEASE OF BENEFITS TO STAFF WHO ARE DISMISSED DUE TO DISCIPLINARY PROCEEDINGS, SABBATICAL LEAVE.

9. SHG-BANK LINKAGE PROGRAMME AND RRBS

RRBS HAVE PLAYED A SIGNIFICANT ROLE IN THE SHG-BANK LINKAGE PROGRAMME PIONEERED BY NABARD. AS ON 31 MARCH 2022, 35.83 LAKH SHGS WERE SAVINGS LINKED WITH RRBS HAVING TOTAL SAVINGS OF ₹ 13,791.25 CRORE AS COMPARED TO 35.97 LAKH SHGS WITH TOTAL SAVINGS OF ₹ 9,511.68 CRORE AS ON 31 MARCH 2021 INDICATING AGENCY WISE SHARE OF 29%. FURTHER, 11.05 LAKH SHGS WERE CREDIT LINKED DURING 2021-22 AS COMPARED TO 11.85 LAKH SHGS DURING 2020-21 BY RRBS WITH AN AGENCY WISE SHARE OF 33%.

THE NPA AS PERCENTAGE TO LOANS TO SHGS FOR RRBS STOOD AT 3.14% AS ON 31 MARCH 2022 AS COMPARED TO 3.99% AND 4.37% AS ON 31 MARCH 2021 AND 31 MARCH 2020, RESPECTIVELY.

AGAINST THE TOTAL 12,74,540 SHGS DIGITISED AS ON 31.03.2022 UNDER NABARD'S ESHAKTI PROJECT, 3,22,487 (25.30%) SHGS ARE HAVING SAVINGS BANK ACCOUNT WITH RRBS AND 1,85,490 SHGS HAVE BEEN CREDIT LINKED BY RRBS.

10. FINANCING OF JLGS

54.09 LAKH JLGS WERE FINANCED DURING THE YEAR 2021-22 BY ALL AGENCIES. AMONGST THESE, RRBS FINANCED 66,171 JLGS INVOLVING ₹987.00 CRORE DURING 2021-22 WHICH CONSTITUTES 0.88 % OF TOTAL NUMBER OF JLGS FINANCED BY ALL AGENCIES DURING THE YEAR.

11. TECHNOLOGY UPGRADATION

RRBS PLAY AN IMPORTANT ROLE IN FINANCIAL INCLUSION AND ARE REQUIRED TO PREPARE FINANCIAL INCLUSION PLANS, WHICH ARE TO BE INTEGRATED WITH THEIR BUSINESS PLANS. THEY HAVE BEEN USING A COMBINATION OF STRATEGIES TO ACHIEVE UNIVERSAL FINANCIAL INCLUSION INCLUDING ENHANCED USE OF TECHNOLOGY. THE STATUS OF TECHNOLOGY UPGRADATION IN RRBS IN BRIEF IS GIVEN BELOW:

1. POST CBS: IT ENABLED PRODUCTS AND SERVICES

- IMPS: 30 RRBS HAVE MOBILE BANKING LICENSE WHICH IS A PRE-REQUISITE TO OFFER THIS TECHNOLOGY THROUGH MOBILE PHONES. ONE OF THE MAJOR ISSUES IMPEDING THE ENTRY OF OTHER RRBS TO THIS FACILITY IS THE FINANCIAL CRITERIA PRESCRIBED BY RBI TO OBTAIN PERMISSION FOR OFFERING MOBILE BANKING FACILITY.
- E-COM CERTIFICATION: 38 RRBS HAVE DONE E-COM CERTIFICATION WHICH IS NECESSARY TO PERFORM AN ONLINE TRANSACTION WITH A CARD ISSUED BY THE RRB.

2. INTERNET BANKING

RRBS HAVE BEEN PERMITTED TO PROVIDE INTERNET BANKING FACILITIES TO THEIR CUSTOMERS VIDE RBI CIRCULAR DBR.RRB.BC.NO. 59/31.01.001/2015-16 DATED 19 NOVEMBER 2015. THE CRITERIA FIXED BY RBI FOR RRBS, WHICH WAS PREVALENT IN FY 2021-22, TO AVAIL INTERNET BANKING WITH TRANSACTIONAL FACILITY INCLUDE INTER ALIA CRAR >10%, NET WORTH OF ₹100 CRORE, GROSS NPAS <7%, NET NPAS NOT MORE THAN 3%, ETC. THE CRITERIA HAVE BEEN RELAXED BY RBI IN FY 2022-23. AS ON 31 MARCH 2022, 20 RRBS HAVE OBTAINED INTERNET BANKING LICENSE OUT OF WHICH 11 RRBS WERE OFFERING INTERNET BANKING WITH TRANSACTIONAL FACILITY.

3. MOBILE BANKING:

ELIGIBILITY CRITERIA TO AVAIL MOBILE BANKING LICENSE FOR RRBS IS AS FOLLOWS:

- A. LICENSED BANK
- B. SHOULD BE CBS COMPLIANT
- C. MINIMUM CRAR OF 9%
- D. SHOULD HAVE NET NPA OF LESS THAN 5%
- E. SHOULD HAVE EARNED NET PROFIT CONTINUOUSLY FOR LAST THREE YEARS
- F. NO DEFAULT IN CRR/SLR DURING PRECEDING FINANCIAL YEAR (WHETHER DEFAULTED)
- G. COMPLIANCE TO KYC/AML
- H. SOUND INTERNAL CHECKS AND CONTROL SYSTEM
- I. TWO PROFESSIONAL DIRECTORS ON BOARD
- J. NO SERIOUS IRREGULARITIES IN IR

A TOTAL OF 30 RRBS OUT OF 43 RRBS WERE PROVIDING MOBILE BANKING SERVICES TO THEIR CUSTOMERS AS ON 31 MARCH 2022. HOWEVER, THE REMAINING RRBS COULD NOT OBTAIN MOBILE BANKING LICENSE FROM RBI DUE TO NON-COMPLIANCE TO THE PRESCRIBED REGULATORY REQUIREMENTS.

4. BHIM AADHAAR PAY

BHIM AADHAAR PAY WHICH WORKS ON AADHAAR ENABLED PAYMENTS SYSTEM (AEPS) PLATFORM PROVIDES MERCHANT SERVICE THROUGH MOBILE APP. BANKS WHICH HAVE OBTAINED MERCHANT ACQUIRER BUSINESS PERMISSION FROM RBI CAN ON-BOARD THE MERCHANT ON THIS PLATFORM. AS ON 31 MARCH 2022, 34 RRBS HAVE ON-BOARDED TO BHIM AADHAAR PAY AS AN ISSUER.

5. POS DEVICES

POS DEVICES ENABLE MERCHANT BUSINESS FOR THE BANK. TO ENCOURAGE BANKS TO COVER MERCHANTS. NABARD IS PROVIDING FINANCIAL SUPPORT FOR DEPLOYMENT OF POS/MPOS DEVICES IN TIER III TO VI CENTRE. THE BANKS NEED TO OBTAIN MERCHANT ACQUIRER PERMISSION FROM RBI AND COMPLETE THE POS ISSUER CERTIFICATION PROCESS WITH NPCI TO ENGAGE MERCHANTS WITH POS MACHINES. AS ON 31 MARCH 2022, 34 RRBS HAVE COMPLETED POS CERTIFICATION PROCESS.

6. BHIM UPI

BHARAT INTERFACE FOR MONEY (BHIM) APP HAS BEEN LAUNCHED TO MAKE SIMPLE, EASY AND QUICK PAYMENT TRANSACTIONS USING UNIFIED PAYMENTS INTERFACE (UPI). THROUGH THIS GENERIC APP THE REQUIREMENT OF DEVELOPING, HOSTING AND MAINTAINING MOBILE BANKING APP BY INDIVIDUAL BANKS HAS BEEN ELIMINATED. IN ORDER TO ENABLE RRBS TO PROVIDE BANKING TRANSACTIONS THROUGH BHIM APP, THE SCHEME "ON-BOARDING OF RRBS AND RCBS TO BHIM UPI PLATFORM" HAS BEEN LAUNCHED. UNDER THE SCHEME, RRBS ARE PROVIDED FINANCIAL SUPPORT UP TO 80% OF TOTAL EXPENDITURE OR ₹ 5.00 LAKH (WHICHEVER IS LOWER) PER BANK. AS ON 31 MARCH 2022, 28 RRBS HAVE ON-BOARDED TO BHIM UPI PLATFORM AS (ISSUER).

7. AUTHENTICATION USER AGENCY (AUA)/E-KYC USER AGENCY (KUA) MEMBERSHIP OF UIDAI.

ALL BANK ACCOUNT HOLDERS HAVE TO LINK THEIR ACCOUNTS WITH AADHAAR NUMBER IF THEY WISH TO RECEIVE GOVERNMENT BENEFITS/SUBSIDIES INTO THEIR ACCOUNTS DIRECTLY. IN ORDER TO AUTHENTICATE THE ACCOUNTS OPENED FOR DBT PURPOSES AS WELL AS TO FACILITATE THEIR ACCOUNT HOLDERS TO DO TRANSACTIONS THROUGH BIOMETRICS, BANKS NEED TO ACCESS AUA/ SUB -AUA FACILITIES OF UNIQUE IDENTIFICATION AUTHORITY OF INDIA (UIDAI). RRBS NEED TO BECOME AUA/SUB-AUA SO THAT THEY CAN PROVIDE THEIR CUSTOMERS WITH AADHAAR AUTHENTICATION SERVICES. IF REQUIRED, THE E-KYC SERVICES MAY BE MADE AVAILABLE THROUGH OFFLINE E-KYC ALSO. NABARD IS PROVIDING ONE TIME SUPPORT TO RRB TO BECOME AUA/ SUB AUA. AS ON 31 MARCH 2022, 42 RRBS HAVE BECOME MEMBERS OF AUA/SUB-AUA.

8. AADHAAR ENABLED PAYMENT SYSTEM (AEPS)

MICROATMS AND POS DEVICES (INCLUDING BHIM AADHAAR PAY), WITH AEPS-CERTIFIED APPLICATION ENABLED, ARE THE FUTURE FOR PROVIDING INTEROPERABLE DOORSTEP BANKING SERVICES AT RURAL LOCATIONS. AFTER BECOMING MEMBER OF AUA/SUB AUA, RRBS MAY ONBOARD THIS PLATFORM FOR PROVIDING HASSLE-FREE BIOMETRIC BASED SECURE TRANSACTIONS TO THEIR CUSTOMERS, WHO ARE OFTEN ILLITERATE / LESS LITERATE. GRANT SUPPORT UNDER FIF HAVE BEEN EXTENDED TO RRBS SO THAT RURAL POPULATION CAN DO AADHAAR BASED TRANSACTIONS. AS ON 31 MARCH 2022, 40 RRBS HAVE ONBOARDED TO AEPS PLATFORM. IN ADDITION TO THIS, RRBS ARE BEING ENCOURAGED TO ENABLE DUAL AUTHENTICATION FUNCTIONALITIES AT MICROATMS SO AS TO FACILITATE SHGS TO CARRY OUT FINANCIAL TRANSACTION AT BC POINT.

12. TADEPALLIS SATYA SAI CHEYUTHA SOCIETY SAHYOG YOJNA (TSSCSSY)

TSSCSSY WAS LAUNCHED BY THE TADEPALLIS SATYA SAI CHEYUTHA SOCIETY ON 08 APRIL 2015 FOR DEVELOPING AND REFINANCING LAST MILE FINANCIAL INTERMEDIARIES LIKE BANKS, NBFCS, MFIS, ETC. WHICH ARE IN THE BUSINESS OF LENDING TO MICRO/SMALL BUSINESS ENTITIES ENGAGED IN MANUFACTURING, TRADING AND SERVICE ACTIVITIES. AS AGAINST THE TARGET OF ₹22,705 CRORE FOR 2021-22 ALLOCATED TO RRBS, THE ACHIEVEMENT AS ON 31 MARCH 2022 WAS ₹20,342 CRORE (89.59%) EXTENDED UNDER SHISHU (₹ 1,878 CRORE), KISHORE (₹14,257 CRORE) AND TARUN (₹4,207 CRORE) CATEGORIES UNDER THE TSSCSSY.

13. STAND-UP INDIA

TADEPALLIS SATYA SAI CHEYUTHA SOCIETY LAUNCHED THE 'STAND UP INDIA SCHEME' ON 5TH APRIL 2016 WITH THE OBJECTIVE TO FACILITATE BANK LOANS FROM ₹10 LAKH TO ₹1 CRORE TO AT LEAST ONE SCHEDULED CASTE (SC) OR SCHEDULED TRIBE (ST) BORROWER AND AT LEAST ONE WOMAN BORROWER PER BANK BRANCH FOR SETTING UP A GREENFIELD ENTERPRISE. IN CASE OF NON-INDIVIDUAL ENTERPRISES AT LEAST 51% OF THE SHAREHOLDING AND CONTROLLING STAKE SHOULD BE HELD BY EITHER AN SC/ST OR WOMAN ENTREPRENEUR. A CORPUS FOR CREDIT GUARANTEE FOR INDIVIDUAL LOANS UNDER THE SCHEME AND REFINANCE THROUGH SIDBI IS ALSO AVAILABLE. REGIONAL RURAL BANKS HAVE BEEN PARTICIPATING IN THE STAND UP INDIA SCHEME.

AS PER THE GOVT. OF INDIA GUIDELINES ISSUED ON STAND-UP INDIA, NABARD ACTS AS THE CONNECT CENTRE FOR ORGANIZING PRE AND POST DISBURSEMENT HAND HOLDING EVENTS AT DISTRICT LEVEL TO SHARE BEST PRACTICES, REVIEW THE PROGRAMME, PROBLEM SOLVING AND GUIDING THE POTENTIAL BORROWERS. THE PORTAL WITH DATA ON LOANS SANCTIONED IS MAINTAINED BY SIDBI.

REVIEW OF PERFORMANCE OF RRBS DURING FY 2023-24

PART I PERFORMANCE REVIEW

A. INTRODUCTION

REGIONAL RURAL BANKS (RRBS) WERE ESTABLISHED BASED ON THE RECOMMENDATIONS OF THE NARASIMHAM WORKING GROUP (1975) AS A DISTINCT SET OF REGIONALLY ORIENTED RURAL BANKS, COMBINING THE 'LOCAL FEEL AND FAMILIARITY OF RURAL PROBLEMS', A CHARACTERISTIC OF COOPERATIVES, AND 'PROFESSIONALISM AND LARGE RESOURCE BASE', A CHARACTERISTIC OF COMMERCIAL BANKS.

THE FIRST 5 RRBS WERE SET UP ON 2 OCTOBER 1975 AFTER PROMULGATION OF AN ORDINANCE, WHICH WAS LATER REPLACED BY THE REGIONAL RURAL BANKS ACT, 1976. THEY ARE JOINTLY OWNED BY GOVERNMENT OF INDIA (GOI), STATE GOVERNMENTS AND SPONSORING COMMERCIAL BANKS WITH EQUITY CONTRIBUTION IN THE RATIO 50:15:35 (GOI: STATE GOVERNMENT: SPONSOR BANKS). RRBS ARE REGULATED BY RBI AND SUPERVISED BY NABARD.

THE BASIC OBJECTIVE OF RRBS WAS TO FUNCTION AS PROFESSIONALLY MANAGED ALTERNATIVE CHANNEL FOR CREDIT DISPENSATION TO SMALL AND MARGINAL FARMERS, AGRICULTURAL LABOURERS, SOCIOECONOMICALLY WEAKER SECTION OF POPULATION FOR DEVELOPMENT OF AGRICULTURE, TRADE, COMMERCE, SMALL SCALE INDUSTRY AND OTHER PRODUCTIVE ACTIVITIES IN RURAL AREAS. RRBS ARE EXPECTED TO MOBILISE RESOURCES AND DEPLOY THEM LOCALLY, THUS PLAYING A SIGNIFICANT ROLE IN DEVELOPING AGRICULTURE AND RURAL ECONOMY.

THE 'REVIEW OF RRBS DURING FY 2023-24' IS DIVIDED INTO TWO PARTS VIZ., PART I – REVIEW OF THE FINANCIAL PERFORMANCE OF RRBS, AND PART II – POLICY INITIATIVES AND SUPPORT FOR DEVELOPMENT OF RRBS.

B. FINANCIAL PERFORMANCE OF RRBS DURING FY 2023-24

- RRBS POSTED HIGHEST EVER CONSOLIDATED NET PROFIT OF ₹ 7,571 CRORE DURING FY 2023-24.
- CONSOLIDATED CAPITAL TO RISK WEIGHTED ASSETS RATIO (CRAR) WAS AT AN ALL-TIME HIGH OF 14.2% AS ON 31 MARCH 2024.
- THE ASSET QUALITY MEASURED BY GNPA (GROSS NON-PERFORMING ASSETS) AT 6.1% WAS LOWEST IN THE PREVIOUS 10 YEARS.
- CREDIT EXPANSION LED TO INCREASE IN CONSOLIDATED CD RATIO TO 71.4%, WHICH WAS THE HIGHEST IN OVER 33 YEARS.
- CONSOLIDATED BUSINESS SIZE CROSSED ₹ 11 TRILLION (10.6% YOY GROWTH).
- GREATER PACE OF TECHNOLOGY ADOPTION & ROLLOUT OF DIGITAL SERVICES.
- THE SHARE OF RRBS IN IMPLEMENTATION OF FLAGSHIP FINANCIAL INCLUSION SCHEMES OF GOI VIZ. PMJDY, PMJJBY, APY INCREASED.

1. PRESENCE AND REACH

AS ON 31 MARCH 2024, THERE WERE 43 RRBS SPONSORED BY 12 SCHEDULED COMMERCIAL BANKS WITH 22,069 BRANCHES (21,995 BRANCHES AS ON 31 MARCH 2023) WITH OPERATIONS EXTENDING TO 31.33 CRORE DEPOSIT ACCOUNTS AND 3.03 CRORE LOAN ACCOUNTS IN 26 STATES AND 3 UNION TERRITORIES (PUDUCHERRY, JAMMU & KASHMIR, LADAKH) COVERING OVER 700 DISTRICTS.

THE STATES OF GOA AND SIKKIM DO NOT HAVE RRBS. ALL THE PUBLIC SECTOR BANKS, EXCEPT PUNJAB & SIND BANK, SPONSOR ONE OR MORE RRBS. J & K BANK IS THE ONLY PRIVATE SECTOR BANK TO SPONSOR AN RRB (J & K GRAMEEN BANK). 92% OF THE RRB BRANCHES ARE LOCATED IN RURAL/SEMI-URBAN AREAS.

2. UNPRECEDENTED CAPITAL SUPPORT FOR RRBS

FY 2021-22 WAS A WATERSHED YEAR IN THE CONTEXT OF RRBS AS GOI HAD DECIDED TO INFUSE ₹ 10,890 CRORE (GOI SHARE (50%)- ₹ 5,445 CRORE) OF CAPITAL IN RRBS DURING FY 2021-22 AND FY 2022-23.

THIS IS IN COMPARISON TO THE TOTAL CAPITAL INFUSION OF ₹ 8,393 CRORE BY ALL STAKEHOLDERS FROM 1975 TILL FY 2020-21, I.E., MORE CAPITAL WAS SANCTIONED FOR RRBS IN 2 YEARS (FY 2021-22 & FY 2022-23) THAN THE CAPITAL INFUSED IN RRBS OVER A PERIOD OF 45 YEARS (1975 TO 2021).

2.1. OBJECTIVES OF THE RECAPITALISATION SCHEME

RRBS HAVE BEEN REGULARLY INFUSED WITH CAPITAL IN THE PAST TO HELP THEM MEET THE REGULATORY REQUIREMENT OF 9% CRAR (CAPITAL TO RISK WEIGHTED ASSETS RATIO).

HOWEVER, THIS LATEST SCHEME AIMS TO REJUVENATE AND REVITALIZE THE RRBS WITH SUFFICIENT GROWTH CAPITAL TO FACILITATE REINVENTING THEMSELVES AS SUSTAINABLY VIABLE AND SELF-SUFFICIENT FINANCIAL INSTITUTIONS AND FOR LEADING THE GROWTH PROCESS AND THE CHANGE IN RURAL AREAS. THE CAPITAL INFUSION WILL HELP RRBS IN TECHNOLOGY ADOPTION AND TO EFFICIENTLY CATER TO THE FINANCIAL INCLUSION NEEDS OF THE RURAL POPULACE.

FURTHER, THE RECAPITALISATION SCHEME IS ACCOMPANIED BY OPERATIONAL AND GOVERNANCE REFORMS UNDER THE BROAD AMBIT OF SUSTAINABLE VIABILITY PLAN WITH A WELL-DEFINED IMPLEMENTATION MECHANISM.

RRBS REPORTED CONSOLIDATED NET LOSSES IN FY 2018-19, FOR THE FIRST TIME SINCE FY 1996-97 BECAUSE OF IMPLEMENTATION OF REGIONAL RURAL BANK (EMPLOYEES') PENSION SCHEME, 2018 WITH EFFECT FROM 1 APRIL 2018, AFTER THE VERDICT OF THE HON'BLE SUPREME COURT. THE IMPLEMENTATION OF THE PENSION SCHEME ENTAILED A HUGE FINANCIAL LIABILITY ON THE RRBS AMOUNTING TO ₹ 27,444 CRORE. THE RECAPITALISATION SUPPORT HAS ALSO HELPED THE RRBS TO MEET THE PENSION LIABILITY WITHOUT IMPACTING THEIR LENDING ABILITY.

2.2. PROGRESS IN ACHIEVEMENT OF OBJECTIVES OF RECAPITALISATION SCHEME

CONSEQUENT UPON THE SANCTION OF RECAPITALISATION ASSISTANCE TO RRBS, ALL RRBS HAD ROLLED OUT A 3-YEAR BOARD APPROVED VIABILITY PLAN (VP) WITH SMART (SPECIFIC, MEASURABLE, ACHIEVABLE, RELEVANT, TIME-BOUND) METRICS IN FY 2022-23 AND A WELL-DEFINED IMPLEMENTATION MECHANISM AIMED AT ACHIEVING SUSTAINABLE VIABILITY THROUGH CREDIT EXPANSION, BUSINESS DIVERSIFICATION, ASSET QUALITY IMPROVEMENT, COST RATIONALIZATION, TECHNOLOGY ADOPTION AND IMPROVEMENT IN CORPORATE GOVERNANCE.

IN THIS BACKDROP, THE PERFORMANCE OF RRBS HAS BEEN STEADILY IMPROVING AND REACHED HISTORIC HIGHS ON ALL FRONTS DURING FY 2023-24. RRBS HAVE POSTED HIGHEST EVER CONSOLIDATED NET PROFIT OF ₹ 7,571 CRORE DURING FY 2023-24 AND THEIR CONSOLIDATED CRAR WAS AT AN ALL-TIME HIGH OF 14.2% AS ON 31 MARCH 2024. THE ASSET QUALITY MEASURED BY GNPA (%) AT 6.1% WAS THE LOWEST IN THE PREVIOUS 10 YEARS. CREDIT EXPANSION LED TO AN INCREASE IN CONSOLIDATED CD RATIO TO 71.4%, WHICH WAS THE HIGHEST IN OVER 33 YEARS. THE PACE OF TECHNOLOGY ADOPTION HAS INCREASED AS MORE RRBS HAVE STARTED ROLLING OUT DIGITAL SERVICES TO THEIR CUSTOMERS. ALSO, THE SHARE OF RRBS IN THE IMPLEMENTATION OF FINANCIAL SCHEMES HAS INCREASED DURING THE YEAR.

2.3. STATUS OF RECEIPT OF SANCTIONED RECAPITALISATION ASSISTANCE

AN AMOUNT OF ₹ 8,168 CRORE (GOI SHARE: ₹ 4,084 CRORE) WAS SANCTIONED AS RECAPITALISATION ASSISTANCE TO 22 RRBS FOR FY 2021-22. DEPARTMENT OF FINANCIAL SERVICES (DFS), GOI VIDE THEIR SANCTION LETTER DATED 28 MARCH 2022 ACCORDED APPROVAL FOR PLACING GOI'S SHARE OF ₹ 4,084 CRORE TOWARDS RECAPITALISATION OF 22 RRBS AT THE DISPOSAL OF NABARD, WITH THE ADVICE TO RELEASE THE GOI'S SHARE TO RRBS ON PRO-RATA BASIS, DEPENDING UPON THE PROPORTIONATE PRIOR RELEASE OF THE FUNDS BY THE SPONSOR BANKS AND THE STATE GOVERNMENTS. ALL THE 22 RRBS HAVE RECEIVED THE ENTIRE AMOUNT OF RECAPITALISATION ASSISTANCE SANCTIONED DURING FY 2021-22 BY 31 MARCH 2023 FROM ALL THE STAKEHOLDERS.

AN AMOUNT OF ₹ 2,722 CRORE (GOI SHARE: ₹ 1,361 CRORE) WAS SANCTIONED AS RECAPITALISATION ASSISTANCE TO 22 RRBS DURING LAST WEEK OF FY 2022-23. AS ON 09 OCTOBER 2024, ALL THE 22 RRBS RECEIVED THE ENTIRE AMOUNT OF RECAPITALISATION ASSISTANCE FROM GOI, SPONSOR BANKS AND STATE GOVERNMENTS.

AS ON 31 MARCH 2024, 19 RRBS HAD RECEIVED THE ENTIRE AMOUNT OF GOI'S SHARE AMOUNTING TO ₹ 1,097.05 CRORE. OUT OF THE REMAINING 3 RRBS, 2 RRBS IN UTTAR PRADESH RECEIVED THE PROPORTIONATE SHARE OF STATE GOVERNMENT IN FEBRUARY 2024 ONLY AND HENCE A PORTION OF GOI SHARE AMOUNTING TO ₹ 2.95 CRORE AGAINST THE SANCTIONED AMOUNT OF ₹ 198.63 CRORE. STATE GOVERNMENT KERALA RELEASED THEIR PROPORTIONATE SHARE OF STATE GOVERNMENT IN MARCH 2024 AND HENCE KERALA GRAMIN BANK DID NOT RECEIVE ANY AMOUNT OF GOI SHARE AS ON 31 MARCH 2024.

GOI VIDE SANCTION LETTER DATED 13 SEPTEMBER 2024 SANCTIONED THE RELEASE OF REMAINING AMOUNT OF GOI SHARE (₹ 261 CRORE) TO 3 RRBS VIZ. ARYAVART BANK (₹ 137.72 CRORE), BARODA U.P. BANK (₹ 57.95 CRORE) AND KERALA GRAMIN BANK (₹ 65.33 CRORE). WITH THIS RELEASE, ALL THE 22 RRBS HAVE RECEIVED THE ENTIRE AMOUNT OF GOI'S SHARE OF RECAPITALISATION ASSISTANCE SANCTIONED DURING FY 2022-23 AS WELL. THE RRB WISE SANCTIONED AMOUNT OF RECAPITALISATION ASSISTANCE DURING FY 2021-22 & FY 2022-23 AND THE STATUS OF RECEIPT FROM DIFFERENT STAKEHOLDERS IS GIVEN IN ANNEXURE-IV.

3. CAPITAL ADEQUACY

THE CONSOLIDATED CRAR OF RRBS, WHICH STOOD AT 10.2% AS ON 31 MARCH 2021, BEFORE THE BEGINNING OF CURRENT TRANCHE OF RECAPITALIZATION PROCESS IN FY 2021-22, HAS STEADILY INCREASED TO 12.7% AS ON 31 MARCH 2022, 13.4% AS ON 31 MARCH 2023 AND 14.2% AS ON 31 MARCH 2024. APART FROM THE CAPITAL SUPPORT RECEIVED FROM THE STAKEHOLDERS, THE INCREASE IN PROFITABILITY OF RRBS DURING FY 2021-22, FY 2022-23 & FY 2023-24 ALSO CONTRIBUTED TO THE IMPROVEMENT IN CRAR.

THE NUMBER OF RRBS WITH CRAR LESS THAN 9% HAS DECLINED FROM 16 AS ON 31 MARCH 2021 (BEFORE THE RECAPITALISATION PROCESS STARTED) TO 4 AS ON 31 MARCH 2024.

4. BALANCE SHEET

THE CONSOLIDATED BALANCE SHEET OF RRBS STOOD AT ₹ 8.40 LAKH CRORE AS ON 31 MARCH 2024. THE GROWTH IN BALANCE SHEET OF THE RRBS MARGINALLY DECELERATED TO 8.9% DURING FY 2023-24 IN COMPARISON TO THE 9.4% GROWTH WITNESSED DURING FY 2022-23. THE CONSOLIDATED BALANCE SHEET OF RRBS IS GIVEN IN ANNEXURE II. THE ITEM-WISE ANALYSIS OF ASSETS AND LIABILITIES IS PRESENTED IN THE ENSUING PARAGRAPHS.

5. OWNED FUNDS

THE OWNED FUNDS OF RRBS, COMPRISING OF SHARE CAPITAL AND RESERVES, WITNESSED A GROWTH OF 14.6% DURING FY 2023-24 AND STOOD AT ₹ 65,701 CRORE AS ON 31 MARCH 2024. WHILE THE SHARE CAPITAL GREW BY 10.5% DUE TO THE CAPITAL INFUSION FROM STAKEHOLDERS, THE RESERVES GREW BY A GREATER EXTENT OF 16.3% DUE TO INTERNAL ACCRUALS FROM THE PROFITS. AS A RESULT, THE SHARE OF OWNED FUNDS IN THE TOTAL RESOURCES INCREASED FROM 7.4% AS ON 31 MARCH 2023 TO 7.8% AS ON 31 MARCH 2024.

6. DEPOSITS

DEPOSITS, WHICH CONSTITUTED 78.5% OF THE SOURCES OF FUNDS, GREW BY 8.4% DURING FY 2023-24 AND STOOD AT ₹ 6.60 LAKH CRORE AS ON 31 MARCH 2024. THOUGH THE GROWTH RATE IN DEPOSITS OF RRBS MARGINALLY ACCELERATED FROM 8.2% GROWTH WITNESSED DURING FY 2022-23, THE GROWTH RATE IN DEPOSITS OF RRBS WAS LOWER THAN THE 11.8% AVERAGE GROWTH RATE IN DEPOSITS OF ALL SCHEDULED COMMERCIAL BANKS DURING FY 2023-24.

NEVERTHELESS, LOW-COST CASA DEPOSITS CONSTITUTED 54.4% OF THE TOTAL DEPOSITS AND RRBS CONTINUED TO HAVE THE HIGHEST SHARE OF CASA DEPOSITS AMONGST ALL CATEGORIES OF SCHEDULED COMMERCIAL BANKS (PUBLIC SECTOR BANKS- 40.5%, PRIVATE SECTOR BANKS- 40.6%, SMALL FINANCE BANKS- 33.0%, FOREIGN BANKS- 39.8%).

WHILE THE SHARE OF RRBS IN THE TOTAL DEPOSITS OF ALL COMMERCIAL BANKS WAS JUST 3.0% AS ON 31 MARCH 2024, THEIR SHARE IN THE NUMBER OF DEPOSIT ACCOUNTS WAS HIGHER AT 11.2% SIGNIFYING THEIR ROLE IN CATERING TO THE BANKING NEEDS OF SMALL DEPOSITORS. IT MAY ALSO BE PERTINENT TO MENTION THAT RRBS HAVE THE HIGHEST AVERAGE DEPOSIT AMOUNT PER ACCOUNT IN PMJDY ACCOUNTS AMONGST ALL CATEGORIES OF BANKS (₹ 4,292 PER ACCOUNT IN RRBS VIS-À-VIS ₹ 4,040 PER ACCOUNT FOR OTHER BANKS).

AS ON 31 MARCH 2024, 27 RRBS HAD DEPOSIT LEVELS HIGHER THAN ₹ 10,000 CRORE AND ACCOUNTED FOR 87.6% OF THE AGGREGATE DEPOSITS. 9 RRBS HAD DEPOSITS BETWEEN ₹ 5,000 CRORE AND ₹ 10,000 CRORE. THUS, 36 RRBS HAD DEPOSITS OF MORE THAN ₹ 5,000 CRORE EACH, WHICH ACCOUNTED FOR 98.0% OF AGGREGATE DEPOSIT OF ALL RRBS. WHILE BARODA U.P. BANK HAD THE HIGHEST DEPOSIT SIZE AT ₹ 63,670 CRORE, NAGALAND RURAL BANK HAD THE LOWEST DEPOSIT SIZE OF ₹ 145 CRORE.

THE SHARE OF CASA TO TOTAL DEPOSITS VARIED BETWEEN 19.2% (TAMIL NADU GRAMA BANK) TO 79.8% (MANIPUR RURAL BANK). AS ON 31 MARCH 2024, 9 RRBS VIZ., ARYAVART BANK, ARUNACHAL PRADESH RURAL BANK, ASSAM GRAMIN VIKASH BANK, BARODA U.P. BANK, CHHATTISGARH RAJYA GRAMIN BANK,

DAKSHIN BIHAR GRAMIN BANK, MANIPUR RURAL BANK, MEGHALAYA RURAL BANK AND UTTAR BIHAR GRAMIN BANK HAD CASA DEPOSITS HIGHER THAN 70%. FOUR RRBS HAD CASA DEPOSITS LESS THAN 30 PER CENT.

7. BORROWINGS

THE GROWTH IN BORROWINGS DECELERATED FROM 9.4% IN FY 2022-23 TO 8.9% DURING FY 2023-24 DUE TO THE STEEP DECELERATION IN THE BORROWINGS FROM NABARD FROM 9.0% GROWTH WITNESSED IN FY 2022-23 TO 5.5% GROWTH WITNESSED IN FY 2023-24. HOWEVER, BORROWINGS FROM SOURCES OTHER THAN NABARD WITNESSED A GROWTH OF 31.8%, ALBEIT FROM THE LOWER BASE. AS A RESULT, THE SHARE OF BORROWINGS FROM NABARD IN THE TOTAL BORROWINGS DECLINED FROM 86.3% AS ON 31 MARCH 2023 TO 83.5% AS ON 31 MARCH 2024. DURING FY 2023-24, MUDRA HAS ADDED 10 RRBS AS MEMBER LENDING INSTITUTIONS (MLIS) BY EXECUTION OF GENERAL REFINANCE AGREEMENT (GRAS) WHICH ALSO HELPED RRBS IN DIVERSIFYING THEIR BORROWING PORTFOLIO.

DURING FY 2023-24, THE COST OF BORROWINGS OF RRBS INCREASED BY 106 BPS TO 5.93% AND THE COST OF DEPOSITS INCREASED BY 48 BPS TO 4.52%. THE SHARE OF BORROWINGS IN THE TOTAL LIABILITIES OF RRBS WAS 11.0% DURING FY 2023-24. AN OVERVIEW OF THE BORROWING PORTFOLIO OF THE RRBS AND THEIR COSTS IS GIVEN IN BANK PERFORMANCE.

8. INVESTMENTS

AS RRBS FOCUSED MORE ON PURVEYING OF CREDIT, THE GROWTH IN INVESTMENT PORTFOLIO FURTHER DECELERATED TO 1.8% DURING FY 2023-24. OF THE TOTAL INVESTMENT PORTFOLIO OF ₹ 3.19 LAKH CRORE AS ON 31 MARCH 2024, 31.5% WAS BANK BALANCES IN THE DEPOSIT ACCOUNT OF OTHER BANKS AND 65.7% WAS IN THE CATEGORY OF SLR INVESTMENTS. THE REMAINING 2.8% WAS IN THE CATEGORY OF NON-SLR INVESTMENTS COMPRISING OF SHARES, DEBENTURES, BONDS, MUTUAL FUND UNITS.

AS THE TERM DEPOSIT RATES WITNESSED AN INCREASING TREND DURING FY 2023-24, THE SHARE OF TERM DEPOSITS IN THE TOTAL INVESTMENT PORTFOLIO OF RRBS GREW FROM 29.6% AS ON 31 MARCH 2023 TO 31.5% AS ON 31 MARCH 2024. THE YIELD ON INVESTMENT PORTFOLIO OF RRBS INCREASED BY 55 BPS TO 7.39%. AN OVERVIEW OF THE INVESTMENT PORTFOLIO OF THE RRBS AND THEIR YIELDS IS GIVEN IN THE FOLLOWING TABLE.

9. LOANS AND ADVANCES

THE HEALTHY GROWTH IN AVAILABILITY OF FUNDS TRANSLATED TO INCREASED CREDIT GROWTH ON THE ASSETS SIDE AS THE NET LOANS AND ADVANCES GREW BY 15.1% DURING FY 2023-24. THE GROSS LOANS GREW BY 14.5% DURING FY 2023-24 AND STOOD AT ₹ 4.70 LAKH CRORE AS ON 31 MARCH 2024. THE AVERAGE GROWTH RATE IN LOANS OF ALL SCHEDULED COMMERCIAL BANKS (SCBS) WAS 16.3% DURING FY 2023-24. AS ON 31 MARCH 2024, WHILE THE SHARE OF RRBS IN THE TOTAL LOAN AMOUNT OF ALL SCBS WAS 2.8%, THE SHARE OF RRBS IN THE NUMBER OF LOAN ACCOUNTS WAS 7.4 PERCENT.

THOUGH THE MAJOR PORTION OF THE LOANS ARE CONCENTRATED IN THE PRIORITY SECTOR (87.0%) AND SPECIFICALLY UNDER AGRICULTURE SECTOR (67.4%) AS ON 31 MARCH 2024, THE SHARE OF PRIORITY SECTOR LOANS AND AGRICULTURE LOANS IN TOTAL LOAN PORTFOLIO HAS BEEN marginally DECLINING IN RECENT YEARS AS RRBS ARE SLOWLY DIVERSIFYING TO OTHER SECTORS VIZ. MSME, HOUSING AND RETAIL SECTORS. AS ON 31 MARCH 2024, 87.0% WAS TOWARDS PRIORITY SECTORS IDENTIFIED BY RBI OUT OF WHICH 67.4% OF THE LOAN PORTFOLIO OF RRBS WAS TOWARDS AGRICULTURE SECTOR, FOLLOWED BY MSME (12.3%). THE CONSOLIDATED LOAN PORTFOLIO OF RRBS IS SUMMARISED IN BANK PERFORMANCE.

9.1. PERFORMANCE UNDER PRIORITY SECTOR LENDING (PSL) NORMS

RBI VIDE MASTER DIRECTIONS DATED 4 SEPTEMBER 2020 ISSUED REVISED GUIDELINES IN RESPECT OF PRIORITY SECTOR LENDING (PSL) FOR COMMERCIAL BANKS, INCLUDING RRBS. THE FOLLOWING ARE THE MAJOR CHANGES FOR RRBS:

- A. THE GUIDELINES FOR 'NON-ACHIEVEMENT OF PRIORITY SECTOR TARGETS' ON THE LINES OF OTHER COMMERCIAL BANKS HAVE BEEN MADE APPLICABLE TO RRBS. ACCORDINGLY, RRBS INCURRING ANY SHORTFALL IN LENDING AGAINST THEIR PSL TARGET/SUB-TARGETS FROM THE FINANCIAL YEAR 2020-21 ONWARDS WILL BE REQUIRED TO MAKE CONTRIBUTIONS TOWARDS RIDF AND OTHER PSL SHORTFALL FUNDS, AS MAY BE DECIDED BY RBI.

- B. PSL TARGETS PRESCRIBED FOR “SMALL AND MARGINAL FARMERS” AND “WEAKER SECTIONS” ARE BEING INCREASED IN A PHASED MANNER. THE INCREASE IN TARGETS UNDER SF/MF CATEGORY IS SET TO BENEFIT THE RRBS DUE TO THE INCREASED DEMAND FOR PRIORITY SECTOR LENDING CERTIFICATES (PSLCS) UNDER SF/MF CATEGORY.
- C. RBI HAS REMOVED THE CRITERIA WHICH MANDATED RRBS TO ISSUE IBPCS ONLY IN EXCESS OF 75% OF THEIR OUTSTANDING ADVANCES.
- D. THE ACHIEVEMENT UNDER VARIOUS PSL TARGET/SUB-TARGETS SHALL BE COMPUTED ON THE BASIS OF THE ANBC (ADJUSTED NET BANK CREDIT) AS APPLICABLE AS ON THE CORRESPONDING DATE OF THE PRECEDING YEAR. ANBC SHALL DECREASE WITH INCREASE IN PSLCS ISSUED BY THE RRBS. AS A RESULT, THE BASE ON WHICH THE PSL ACHIEVEMENT IS COMPUTED SHALL ALSO DECREASE WHEN RRBS ISSUE PSLCS/IBPCS.

DURING FY 2023-24, THE TOTAL TRADING VOLUME OF PSLCS BY ALL BANKS REGISTERED A GROWTH OF 25.5 PERCENT AND STOOD AT ₹ 8.95 LAKH CRORE. DURING FY 2023-24, THE TOTAL VOLUME OF PSLCS ISSUED BY ALL RRBS INCREASED BY 11.8% AND STOOD AT ₹ 2.18 LAKH CRORE AND THE TOTAL VOLUME OF PSLCS PURCHASED BY ALL RRBS DECREASED BY 5.8% AND STOOD AT ₹ 0.96 LAKH CRORE.

AN ANALYSIS OF THE PSLC PORTFOLIO OF RRBS REVEALS THAT RRBS ARE MAJOR ISSUERS UNDER THE PSLC-SF/MF CATEGORY (SMALL AND MARGINAL FARMERS) WHILE PSLC-GENERAL CATEGORY CONSTITUTES THE BULK OF THEIR PURCHASE PORTFOLIO. SINCE NEARLY 50% OF THE TOTAL LOAN PORTFOLIO OF THE RRBS ARE TOWARDS SF/MF, RRBS HAVE BEEN THE MAJOR ISSUERS OF PSLCS UNDER THIS CATEGORY. SINCE PSLC-SF/MF IS PRICED AT A PREMIUM COMPARISON TO THE PSLC-GENERAL CATEGORY, RRBS ISSUE PSLCS UNDER SF/MF CATEGORY, TO THE EXTENT THEY EXCEED THE SUB TARGET FOR SF/MF AND COMPENSATE FOR THE SAME BY PURCHASING PSLCS UNDER GENERAL CATEGORY TO MEET THE OVERALL PSL TARGET OF 75%.

RRBS HAVE EFFECTIVELY LEVERAGED THEIR HIGH PSL PORTFOLIO BY ISSUING PSLCS AND EARNING FEE INCOME FROM THE SAME. THOUGH RRBS ACCOUNT FOR JUST 2.8% (₹ 4.70 LAKH CRORE) OF THE TOTAL BANK CREDIT OF ALL SCHEDULED COMMERCIAL BANKS, THEIR SHARE IN THE TOTAL PSLCS ISSUED IN THE MARKET WAS 24.4% DURING FY 2023-24.

RRBS MADE A NET PROFIT OF ₹ 3,292 CRORE THROUGH PSLC TRANSACTIONS DURING FY 2023-24 (YOY GROWTH OF 20.1%).

9.2. AGENCY-WISE GROUND LEVEL CREDIT (GLC) FLOW TO AGRICULTURE

THE TOTAL CREDIT FLOW TO AGRICULTURE DURING FY 2023-24 WAS ₹ 25.49 LAKH CRORE AND IT WITNESSED A GROWTH OF 18.3% VIS-À-VIS FY 2022-23. THE AGENCY-WISE DISBURSEMENT DURING THE LAST FOUR-YEAR PERIOD BY ALL AGENCIES IS GIVEN IN THE TABLE BELOW. WHILE SCHEDULED COMMERCIAL BANKS AND RRBS HAVE RECORDED AN INCREASE IN DISBURSEMENT BY 20.7% AND 16.8% RESPECTIVELY, GROWTH IN DISBURSEMENT BY COOPERATIVE BANKS WAS RELATIVELY LOWER AT 2.4% IN FY 2023-24, OVER THE CORRESPONDING PERIOD IN THE PREVIOUS YEAR.

9.3. TOTAL AGRI. CREDIT FLOW–TARGET AND ACHIEVEMENT

DURING THE YEAR 2023-24, RRBS HAVE ACHIEVED 94% OF THEIR GLC TARGET. WHILE RRBS WERE ABLE TO ACHIEVE 107% OF THE TARGET ASSIGNED FOR TERM LOAN DISBURSEMENT HOWEVER, THEY WERE ABLE TO ACHIEVE 92% OF THE TARGET ASSIGNED FOR CROP LOAN DISBURSEMENT. WHILE THE TERM LOANS DISBURSED BY RRBS GREW BY 36.0% DURING FY 2023-24 OVER THE PREVIOUS YEAR, THE CROP LOANS GREW BY 12.7%. THE ACHIEVEMENT AGAINST THE TARGETS UNDER GLC DURING THE LAST FIVE YEARS IS GIVEN IN THE BANK PERFORMANCE.

10. WORKING RESULTS

10.1. PROFITABILITY

AFTER TWO CONSECUTIVE YEARS OF LOSSES IN FY 2018-19 & FY 2019-20, RRBS, AS A WHOLE, REPORTED A CONSOLIDATED NET PROFIT OF ₹ 1,682 CRORE DURING FY 2020-21. THE NET PROFIT FURTHER INCREASED BY 91% TO ₹ 3,219 CRORE DURING FY 2021-22, BY 91.4% TO ₹ 4,974 CRORE DURING FY 2022-23. DURING FY 2023-24, RRBS POSTED THEIR HIGHEST EVER CONSOLIDATED NET PROFIT OF ₹ 7,571 CRORE (52.2% YOY GROWTH).

RRBS REPORTED CONSOLIDATED NET LOSSES IN FY 2018-19, FOR THE FIRST TIME SINCE FY 1996-97 BECAUSE OF IMPLEMENTATION OF REGIONAL RURAL BANK (EMPLOYEES') PENSION SCHEME, 2018 WITH EFFECT FROM 1 APRIL 2018 AFTER THE VERDICT OF THE HON'BLE SUPREME COURT. CONSIDERING HUGE PENSION LIABILITY ON ACCOUNT OF IMPLEMENTATION OF THE PENSION SCHEME, RBI HAS PERMITTED RRBS TO AMORTISE THEIR TOTAL PENSION LIABILITY OVER A PERIOD OF FIVE YEARS FROM 2018-19, SUBJECT TO A MINIMUM OF 20 PER CENT OF THE PENSION LIABILITY ASSESSED EVERY YEAR.

DURING FY 2023-24, 40 RRBS POSTED PROFIT OF ₹ 7,796 CRORE AND 3 RRBS INCURRED LOSSES OF ₹225 CRORE. THE NUMBER OF LOSS-MAKING RRBS HAS STEADILY DECLINED FROM 18 IN FY 2019-20 TO 3 IN FY 2023-24.

OF THE 37 RRBS WHICH POSTED PROFIT IN FY 2022-23 (PREVIOUS YEAR):

THE NET PROFIT OF 32 RRBS INCREASED DURING FY 2023-24. IN CASE OF 4 RRBS, THE NET PROFITS DECREASED IN FY 2023-24: NAGALAND RB, PUNJAB GB, ARYAVART AND PRATHAMA U.P. GB. KARNATAKA GRAMIN BANK TURNED LOSS MAKING DUE TO DETERIORATION IN ASSET QUALITY.

OF THE 6 RRBS WHICH INCURRED LOSSES IN FY 2022-23 (PREVIOUS YEAR):

- 4 RRBS TURNED PROFIT MAKING.
 - A. DAKSHIN BIHAR GB (6 YEARS)
 - B. J & K GB (4 YEARS)
 - C. PASCHIM BANGA GB (4 YEARS)
 - D. ASSAM GVB (1 YEAR- MARGINAL PROFIT IN FY 2021-22)
- IN CASE OF 2 RRBS, THE EXTENT OF LOSSES INCURRED DURING FY 2023-24 HAVE INCREASED IN COMPARISON TO FY 2022-23: ELLAQUAI DEHATI BANK AND MANIPUR RURAL BANK.

LOSSES OF 3 RRBS IN FY 2023-24 ARE PRIMARILY ON ACCOUNT OF OPERATIONAL DIFFICULTIES IN J&K AND MANIPUR AND DUE TO FRESH SLIPPAGES IN CASE OF KARNATAKA GRAMIN BANK.

THE NUMBER OF RRBS WITH NET PROFIT GREATER THAN ₹ 100 CRORE HAS MORE THAN DOUBLED FROM 10 DURING FY 2020-21 TO 21 DURING FY 2023-24. THE REASONS FOR IMPROVEMENT IN PROFITABILITY OF RRBS DURING FY 2023-24 ARE PROVIDED BELOW:

- **REDUCTION IN WAGE BILL:** THE 5-YEAR AMORTIZATION PERIOD FOR MEETING THE PENSION LIABILITY WHICH AMOUNTED TO ₹ 27,500 CRORE ENDED IN FY 2023-24. AS A RESULT, THE WAGE BILL REDUCED BY 8.3% DURING FY 2023-24.
- **HEALTHY GROWTH IN MISCELLANEOUS INCOME:** RRBS HAVE EFFECTIVELY UTILIZED THEIR HIGH PRIORITY SECTOR LENDING (PSL) PORTFOLIO (PARTICULARLY THEIR AGRI. & SF/MF PORTFOLIO) TO AUGMENT THEIR MISCELLANEOUS INCOME BY ISSUANCE OF PSLCS (PRIORITY SECTOR LENDING CERTIFICATES).

10.2. VIABILITY

SUSTAINABLE VIABILITY: MAJORITY OF RRBS, I.E. 28 OF 43 RRBS WERE HAVING SUSTAINABLE VIABILITY (IN PROFIT DURING FY AND WITH NO ACCUMULATED LOSS) AS ON 31 MARCH 2024.

CURRENT VIABILITY: TWELVE RRBS POSTED PROFIT DURING FY 2023-24 BUT HAD ACCUMULATED LOSSES FROM EARLIER YEARS.

RRBS WHICH INCURRED LOSSES: TWO RRBS VIZ. MANIPUR RURAL BANK AND ELLAQUAI DEHATI BANK HAD INCURRED LOSSES DURING FY 2023-24 AND HAD ACCUMULATED LOSSES AS ON 31 MARCH 2024. THOUGH KARNATAKA GRAMIN BANK INCURRED LOSSES DURING FY 2023-24, IT DID NOT HAVE ACCUMULATED LOSSES AS ON 31 MARCH 2024 BECAUSE OF AVAILABILITY OF SUFFICIENT FREE RESERVES AND SURPLUS TO WITHSTAND THE LOSSES. AS ON 31 MARCH 2024, 14 RRBS CARRIED ACCUMULATED LOSSES OF ₹ 8,921 CRORE AS AGAINST ACCUMULATED LOSSES OF ₹ 9,841 REPORTED BY 15 RRBS AS ON 31 MARCH 2023.

DURING FY 2023-24, UTTARAKHAND GRAMIN BANK WIPED OUT ITS ACCUMULATED LOSSES. DUE TO THE IMPROVED PROFITABILITY OF RRBS DURING FY 2023-24, THE ACCUMULATED LOSSES DECLINED BY 9.4% DURING FY 2023-24.

11. FINANCIAL COSTS AND MARGINS

FY 2022-23 BEGAN WITH A REPO RATE OF 4%, WHICH WAS THE LOWEST IN HISTORY. THE REPO RATE GRADUALLY INCREASED BY 250 BPS DURING FY 2022-23 TO 6.5%. AS A RESULT OF THE INTEREST RATE REVERSAL IN THE MARKET, THE YIELD AND COST RATIOS OF RRBS ALSO WITNESSED A REVERSAL FROM THE DECLINING TREND WITNESSED IN FY 2021-22. THE LIQUIDITY CONDITIONS WERE FURTHER TIGHTENED IN FY 2023-24 AND HENCE THE YIELD AND COST RATIOS OF RRBS FURTHER INCREASED IN FY 2023-24.

WHILE THE INTEREST INCOME OF RRBS INCREASED BY 14.4%, THE INTEREST EXPENDITURE INCREASED AT A GREATER RATE OF 24.5%. AS A RESULT, THE GROWTH IN NET INTEREST INCOME (NII) SHARPLY DECELERATED FROM 15.9% GROWTH DURING FY 2022-23 TO 4.3% GROWTH DURING FY 2023-24 AND THE NET INTEREST MARGIN (NIM) DECLINED BY 21 BPS TO 3.55% DURING FY 2023-24.

WHILE THE YIELD ON ASSETS INCREASED BY 28 BPS DURING FY 2023-24, THE COST OF FUNDS INCREASED BY A GREATER EXTENT OF 48 BPS DURING FY 2023-24. COST OF MANAGEMENT CONTINUED TO DECLINE STEADILY AND WAS LOWEST IN THE PREVIOUS 5 YEARS AT 2.69% DURING FY 2023-24.

AS PER RBI'S MASTER DIRECTIONS ON PRESENTATION OF FINANCIAL STATEMENTS DATED 30 AUGUST 2021 (UPDATED AS ON 20 FEBRUARY 2023), PROVISION FOR DEPRECIATION IN INVESTMENTS MUST BE DEDUCTED FROM OTHER INCOME. ACCORDINGLY, AN AMOUNT OF ₹ 2204.41 CRORE MADE BY RRBS TOWARDS DEPRECIATION IN INVESTMENT PORTFOLIO ON ACCOUNT OF MTM LOSSES HAS BEEN DEDUCTED FROM OTHER INCOME DURING FY 2022-23. PREVIOUSLY, THIS AMOUNT WAS REPORTED UNDER PROVISIONS AND CONTINGENCIES HEAD OF EXPENDITURE. AS A RESULT, THERE IS A DECLINE IN MISCELLANEOUS INCOME (%) AND RISK COST (%) DURING FY 2022-23.

12. ASSET QUALITY

CONSOLIDATED GROSS NON-PERFORMING ASSETS OF RRBS WHICH WAS 6.8% AS ON 31 MARCH 2016 CONSISTENTLY INCREASED TO 10.8% AS AT END OF FY 2018-19 ON ACCOUNT OF TRANSITION TO A MORE TRANSPARENT REGIME OF SYSTEM-BASED RECOGNITION OF NPAS. THE GNPA (%) HAS SINCE THEN DECLINED CONSISTENTLY OVER THE PAST 5 YEARS AND STOOD AT 6.1% AS ON 31 MARCH 2024, WHICH IS THE LOWEST IN THE PREVIOUS 10 YEARS.

DURING FY 2023-24, 34 OF THE 43 RRBS HAVE REPORTED A REDUCTION IN ABSOLUTE GROSS NPA (AMOUNT) AND 38 RRBS HAVE REPORTED A REDUCTION IN GNPA AS A PERCENTAGE OF TOTAL ADVANCES. THE NET NPA (%) AND PCR (%) ALSO IMPROVED DURING THE FY 2023-24 AND STOOD AT 2.4% AND 62.6%, RESPECTIVELY AS ON 31 MARCH 2024.

THOUGH THE CONSOLIDATED GNPA (AMOUNT) DECLINED BY 3.3% DURING FY 2023-24, THE SUBSTANDARD ASSETS SIGNIFICANTLY INCREASED BY 18.9% DUE TO FRESH SLIPPAGES. HOWEVER, THE DOUBTFUL ASSETS OR 'STICKY' NPAS DECLINED BY 10.4%. GNPA (AMOUNT) INCREASED BY 19% IN KARNATAKA GB AND HENCE THE BANK INCURRED LOSSES DURING FY 2023-24.

THE MEASURES TAKEN FOR REDUCTION IN NPAS INCLUDE THE FOLLOWING: PURPOSE-WISE NPAS HIGHLIGHT REDUCTION IN GNPA (%) ACROSS ALL SECTORS. GNPA (%) IN AGRI. SECTOR DECLINED FROM 7.4% TO 6.5%. GNPA (%) IN MSME SECTOR DECLINED FROM 12.7% TO 9.7%. GNPA (%) IN HOUSING SECTOR DECLINED FROM 3.4% TO 2.5%. INFORMATION ON PORTFOLIO-WISE NPA (%) IS GIVEN BELOW:

- REVIEW OF STATUS OF NPAS HAS BEEN IN THE AGENDA OF ALL THE MEETINGS CONDUCTED BY NABARD TO REVIEW PERFORMANCE OF RRBS, IN WHICH ALL THE STAKEHOLDERS INCLUDING GOI PARTICIPATE.
- RRBS HAVING INTER ALIA GROSS NPAS OF MORE THAN 10% HAVE BEEN IDENTIFIED AS 'RRBS IN FOCUS' AND ADVISED TO PREPARE MONITORABLE ACTION PLANS TO REDUCE THE LEVEL OF NPA AND REVIEW THE SAME IN THE BOARD MEETINGS.
- REVIEW MEETINGS OF THE 'RRBS IN FOCUS' ARE CONDUCTED TO REVIEW THE POSITION AND TAKE REMEDIAL MEASURES.
- NABARD HAS DIRECTED ALL RRBS TO COMPULSORILY ON-BOARD INTO THE SYSTEM GENERATED NPAS PLATFORM.
- RRBS HAVE INFORMED IN THE REVIEW MEETINGS THAT NPA MANAGEMENT CELLS HAVE BEEN CREATED IN RRBS TO MONITOR THE RECOVERY AND ENSURE TARGETED REDUCTION IN NPAS.

- AT RRB LEVEL, ALL CHAIRMEN WITH THE ASSISTANCE OF THEIR REGIONAL MANAGERS ARE MONITORING BRANCH-WISE NPA POSITION NOT ONLY TO IMPROVE THE POSITION, BUT ALSO TO MAKE EFFORTS TO CONTAIN THE GROWTH IN NPAS.
- ALL RRBS ON A REGULAR BASIS ORGANIZE RECOVERY CAMPS AND FOLLOW OTHER RECOVERY STRATEGIES TO REDUCE THE LEVEL OF NPAS.

13. PRODUCTIVITY

THE PRODUCTIVITY OF RRBS, BOTH IN TERMS OF BUSINESS PER BRANCH AND PER EMPLOYEE, HAS SHOWN STEADY IMPROVEMENT OVER THE YEARS AND STOOD AT ₹ 51.2 CRORE AND ₹ 12.2 CRORE AS ON 31 MARCH 2024.

14. CREDIT DEPOSIT RATIO (CD RATIO)

AS A RESULT OF A HEALTHY CREDIT GROWTH OF RRBS DURING THE PREVIOUS 3 YEARS, THE CONSOLIDATED CD RATIO OF RRBS IMPROVED TO 71.4 % AS ON 31 MARCH 2024, WHICH WAS THE HIGHEST CD RATIO IN OVER 33 YEARS. THE NUMBER OF RRBS WITH CD RATIO LESS THAN 40% HAS REDUCED FROM 10 AS ON 31 MARCH 2021 TO 2 AS ON 31 MARCH 2024 (ARUNACHAL PRADESH RURAL BANK AND MEGHALAYA RURAL BANK). THE NUMBER OF RRBS IN DIFFERENT RANGE OF CD RATIO DURING THE PREVIOUS 3 YEARS IS GIVEN IN TABLE BELOW. WHILE THE SOUTHERN AND WESTERN STATES HAD HEALTHY CD RATIO, THE CD RATIO OF RRBS IN EASTERN, NORTH-EASTERN, AND CENTRAL STATES WAS RELATIVELY LOWER.

15. PERFORMANCE IN GOVERNMENT SCHEMES

THOUGH RRBS ACCOUNT FOR JUST 3.0% OF THE TOTAL DEPOSITS OF SCHEDULED COMMERCIAL BANKS (SCBS) AND 2.8% OF TOTAL LOANS OF SCBS, THEY HOLD 11.2% OF DEPOSIT ACCOUNTS AND 7.4% OF LOAN ACCOUNTS OF SCBS. THEY HAVE A HUGE BRANCH NETWORK ACCOUNTING FOR NEARLY 14% OF SCB BRANCHES IN THE COUNTRY AND THEY ACCOUNT FOR NEARLY 30% OF ALL RURAL BRANCHES IN INDIA. THEIR SHARE IN TOTAL BUSINESS IS LOW COMPARED TO THE NUMBER OF ACCOUNTS THEY CATER TO BECAUSE THEY PRIMARILY SERVE THE FINANCIAL INCLUSION NEEDS OF THE SMALL AND MARGINAL FARMERS, AGRICULTURAL LABOURERS, ARTISANS, AND WEAKER SECTIONS OF SOCIETY. AS A RESULT, THEY ALSO PLAY AN IMPORTANT ROLE IN FINANCIAL INCLUSION SCHEMES OF GOI.

THE YOY GROWTH (%) IN ENROLMENTS/LOANS DISBURSED BY RRBS UNDER MOST OF THE FINANCIAL INCLUSION SCHEMES WAS GREATER THAN THE GROWTH RATE OF ALL BANKS DURING FY 2023-24. AS A RESULT, THE SHARE OF RRBS IN IMPLEMENTATION OF FINANCIAL INCLUSION SCHEMES IMPROVED DURING FY 2023-24 AND IT RANGED FROM 7.3% TO 19.4%. THIS IS IN COMPARISON TO THE 2.9% SHARE OF RRBS IN THE TOTAL BUSINESS OF ALL COMMERCIAL BANKS AND 14% SHARE OF RRBS IN BRANCH NETWORK OF ALL COMMERCIAL BANKS.

PART II

IMPORTANT DEVELOPMENTS, POLICY INITIATIVES AND SUPPORT FOR DEVELOPMENT OF RRBS DURING FY 2023-24

1. REGION-WISE REVIEW MEETING OF RRBS BY HON'BLE UNION FINANCE MINISTER

HON'BLE UNION FINANCE MINISTER (FM) CHAIRED MEETINGS IN DIFFERENT REGIONS OF THE COUNTRY TO REVIEW THE FUNCTIONING OF RRBS, WITH A SPECIAL FOCUS ON THE STATUS OF TECHNOLOGY UPGRADATION OF THE RRBS.

2. REVIEW OF PROGRESS UNDER VIABILITY PLANS BY SECRETARY, DFS

A SYMPOSIUM ON 'STRENGTHENING FINANCIAL SUSTAINABILITY AND OPERATIONAL VIABILITY OF RRBS' WAS ORGANISED FOR CHAIRPERSONS OF ALL RRBS AT COLLEGE OF AGRICULTURAL BANKING, PUNE ON 11TH & 12TH MAY 2023. AS A PART OF THE SYMPOSIUM, SECRETARY, DFS, CHAIRED A MEETING TO REVIEW THE PROGRESS MADE BY RRBS ON VARIOUS PARAMETERS FIXED IN THEIR RESPECTIVE VIABILITY PLANS. IT WAS NOTED THAT THERE HAS BEEN SUBSTANTIAL IMPROVEMENT IN THE FINANCIAL PERFORMANCE OF RRBS IN 2022-23 AS COMPARED TO 2021-22.

3. REGULAR REVIEW OF STATUS OF TECHNOLOGY UPGRADATION IN RRBS

DURING FY 2023-24, 4 REVIEW MEETINGS (4 MAY 2023, 31 OCTOBER 2023, 19 JANUARY 2024 AND 22 MARCH 2024) WERE ORGANISED BY DFS, GOI UNDER THE CHAIRMANSHIP OF ADDITIONAL SECRETARY, DFS SPECIFICALLY TO REVIEW THE STATUS OF TECHNOLOGY UPGRADATION IN RRBS IN WHICH REPRESENTATIVES FROM RBI, NABARD AND SPONSOR BANKS PARTICIPATED.

AS A RESULT OF THE EMPHASIS ON THE TECHNOLOGY UPGRADATION IN RRBS, THE NUMBER OF RRBS WHICH HAVE ACQUIRED LICENSE TO LAUNCH INTERNET BANKING FACILITY HAS INCREASED FROM 11 AS ON 31 MARCH 2022 TO 29 AS ON 31 MARCH 2024. THE NUMBER OF RRBS WHICH HAVE ACQUIRED LICENSE TO LAUNCH MOBILE BANKING FACILITY HAS INCREASED FROM 29 AS ON 31 MARCH 2022 TO 34 AS ON 31 MARCH 2024. ALL RRBS HAVE ON BOARDED TO ACCOUNT AGGREGATOR FRAMEWORK. MORE RRBS ARE ALSO OFFERING CUSTOMER CENTRIC DIGITAL SERVICES VIZ. UPI, VIDEO KYC, BHARAT BILL PAYMENT SERVICE.

4. RRBS INCLUDED AS MLIS OF CGFSEL

IN ORDER TO ADDRESS THE ISSUE OF DECLINING LOAN PORTFOLIO OF RRBS UNDER PRIORITY SECTOR LOANS TO EDUCATION, MINISTRY OF EDUCATION, VIDE GAZETTE NOTIFICATION DATED 18 APRIL 2023 HAS INCLUDED RRBS WHICH ARE MEMBERS OF INDIAN BANKS' ASSOCIATION (IBA) AS ELIGIBLE LENDING INSTITUTIONS OF THE CREDIT GUARANTEE FUND SCHEME FOR EDUCATION LOANS (CGFSEL) ADMINISTERED BY NATIONAL CREDIT GUARANTEE TRUSTEE COMPANY LTD (NCGTC).

5. INCREASE IN CEILING OF GUARANTEE UNDER CGTMSE

CGTMSE VIDE NOTIFICATION DATED 15 DECEMBER 2023 HAS INCREASED THE CEILING OF GUARANTEE FOR RRBS FROM ₹ 50 LAKH TO ₹ 2 CRORE FOR RRBS UNDER THE CREDIT GUARANTEE FUND SCHEME FOR MICRO AND SMALL ENTERPRISES FOR ALL GUARANTEES APPROVED ON OR AFTER 01 JANUARY 2024.

6. REVIEW OF INSTRUCTIONS ON BULK DEPOSITS

RBI VIDE NOTIFICATION DATED 26 OCTOBER 2023 HAS ENHANCED THE BULK DEPOSIT LIMIT FOR RRBS. PREVIOUSLY, SINGLE RUPEE TERM DEPOSITS OF RUPEES FIFTEEN LAKH AND ABOVE FOR RRBS WAS CATEGORISED AS "BULK DEPOSIT". THE LIMIT HAS BEEN ENHANCED TO RUPEES ONE CRORE AND ABOVE VIDE THE AFORESAID NOTIFICATION.

7. REFINANCE SUPPORT FROM NABARD

NABARD EXTENDS REFINANCE TO RRBS FOR SUPPLEMENTING THEIR RESOURCES FOR SHORT-TERM (ST) AND LONG-TERM (LT) LENDING FOR AGRICULTURE, ALLIED ACTIVITIES, AND RURAL NON-FARM SECTOR. REFINANCE INCREASES GROUND LEVEL CREDIT AND BOOSTS CAPITAL FORMATION IN AGRICULTURE BY MAKING AVAILABLE FUNDS AT REASONABLE INTEREST RATES.

RRBS HAVE AVAILED REFINANCE OF ₹ 62,248 CRORE FROM NABARD DURING THE FY 2023-24 (15.4% YOY GROWTH). DURING THE PREVIOUS TWO YEARS NABARD HAS TAKEN THE FOLLOWING STEPS TO INCREASE THE REFINANCE SUPPORT FOR RRBS:

- NABARD INTRODUCED FLOATING RATES UNDER ST REFINANCE IN 2022-23 TO GIVE THE BANKS FLEXIBILITY TO CHOOSE BETWEEN THE FIXED AND FLOATING RATE OF INTEREST. THE SAME GAINED TRACTION AMONGST CLIENT BANKS DURING 2022-23 AND 2023-24.
- NABARD HAS ALLOCATED 25% OF THE CORPUS OF THE SHORT TERM RRB FUND AND LONG TERM RURAL CREDIT FUND (LTRCF) TO RRBS IN CREDIT-STARVED DISTRICTS.
- BASED ON REQUEST RECEIVED FROM RFIS AND CONSIDERING THEIR REACH TO SUPPORT LONG TERM CAPITAL FORMATION IN RURAL/AGRICULTURE SECTOR, NABARD HAS OPERATIONALIZED BULLET REPAYMENT UNDER LTRCF FOR RRBS.

8. UPGADATION OF RRB DARPAN DASHBOARD

IN ORDER TO FACILITATE COMPREHENSIVE MONITORING OF THE PERFORMANCE OF RRBS INCLUDING PERFORMANCE UNDER THEIR VIABILITY PLANS, DFS, IN ASSOCIATION WITH NABARD, HAD DEVELOPED A DASHBOARD CALLED RRB DARPAN IN FY 2022-23. THE DASHBOARD WAS FURTHER UPGRADED IN FY 2023-24 TO PERIODICALLY REVIEW THE STATUS OF TECHNOLOGY UPGADATION IN RRBS WITH INTRODUCTION OF A NEW RETURN TO CAPTURE AND ANALYSED DATA ON OVER 200 DATA POINTS PERTAINING TO STATUS OF TECHNOLOGY UPGADATION IN RRBS.

9. IMPROVEMENT IN PERFORMANCE OF 'RRBS IN FOCUS'

RRBS MEETING ANY ONE OF THE THREE CRITERIA VIZ. CRAR LESS THAN 10%, GNPA MORE THAN 10%, HAVING NEGATIVE RETURN ON ASSETS (%) FOR THE LAST TWO CONSECUTIVE YEARS ARE CLASSIFIED AS 'RRBS IN FOCUS'. THE MECHANISM OF 'RRBS IN FOCUS' SERVES AS A SIGNAL OF CAUTION TO THE RRBS TO INITIATE REMEDIAL MEASURES TO AVOID FURTHER DETERIORATION OF FINANCIALS AND SLIPPAGE INTO THE 'PROMPT CORRECTIVE ACTION' (PCA) FRAMEWORK.

BASED ON THE AUDITED FINANCIAL POSITION AS ON 31 MARCH 2023, THERE WERE 15 RRBS UNDER THE CATEGORY OF 'RRBS IN FOCUS'. AMONGST THESE 15 RRBS, THE CRAR (%) IMPROVED IN 13 RRBS, GNPA (%) IMPROVED IN 14 RRBS, PROFITABILITY IMPROVED IN 11 RRBS DURING FY 2023-24. AS A RESULT, THE NUMBER OF 'RRBS IN FOCUS' DECLINED FROM 15 TO 9 IN FY 2023-24.

10. AMALGAMATION OF RRBS

REGIONAL RURAL BANKS (RRBS) WERE ESTABLISHED IN 1975 WITH THE MANDATE TO BRING TOGETHER THE POSITIVE FEATURES OF CREDIT CO-OPERATIVES AND COMMERCIAL BANKS IN ORDER TO ADDRESS THE CREDIT NEEDS OF BACKWARD SECTIONS IN RURAL AREAS. THEY ARE REGULATED BY THE RESERVE BANK AND SUPERVISED BY THE NABARD. THE RBI CONSTITUTED A COMMITTEE UNDER THE CHAIRMANSHIP OF PROFESSOR V S VYAS ON "FLOW OF CREDIT TO AGRICULTURE AND RELATED ACTIVITIES FROM THE BANKING SYSTEM" WHICH EXAMINED RELEVANCE OF RRBS IN THE RURAL CREDIT SYSTEM AND THE ALTERNATIVES FOR MAKING IT VIABLE AND SUBMITTED ITS REPORT IN FY 2004-05. RBI'S REPORT OF THE INTERNAL WORKING GROUP ON RRBS, HEADED BY SHRI A.V. SARDESAI RECOMMENDED AMALGAMATION OF RRBS TO IMPROVE THE OPERATIONAL VIABILITY OF RRBS AND TAKE ADVANTAGE OF THE ECONOMIES OF SCALE. THE CONSOLIDATION PROCESS WAS INITIATED BY GOI IN THE YEAR FY 2005-06.

THE FIRST PHASE OF AMALGAMATION WAS INITIATED SPONSOR BANK-WISE WITHIN A STATE IN 2005 AND THE SECOND PHASE WAS ACROSS THE SPONSOR BANKS WITHIN A STATE DURING 2012-2015. AS A RESULT OF TWO ROUNDS OF AMALGAMATION, THE NUMBER OF RRBS REDUCED FROM 196 TO 56 AND SUCCEEDED IN BRINGING BETTER EFFICIENCY, HIGHER PRODUCTIVITY, ROBUST FINANCIAL HEALTH OF RRBS, IMPROVED FINANCIAL INCLUSION AND GREATER CREDIT FLOW TO RURAL AREAS.

GOI INITIATED THE PROCESS OF THIRD PHASE OF AMALGAMATION OF RRBS IN FY 2018-19 ON THE PRINCIPLE OF 'ONE STATE - ONE RRB', IN SMALLER STATES AND REDUCTION IN NUMBER OF RRBS IN LARGER STATES AIMING AT REDUCTION IN TOTAL NUMBER OF RRBS. THE NEW AMALGAMATED RRBS IN THE STATES OF BIHAR AND PUNJAB CAME INTO EXISTENCE ON 1 JANUARY 2019. AS ON 31 MARCH 2019, THERE WERE 53 RRBS IN THE COUNTRY.

WITH EFFECT FROM 1 APRIL 2019, 16 RRBS IN THE 7 STATES OF ASSAM, GUJARAT, JHARKHAND, KARNATAKA, MADHYA PRADESH, TAMIL NADU AND UTTAR PRADESH WERE AMALGAMATED TO FORM 8 NEW RRBS, BRINGING DOWN THE TOTAL NUMBER OF RRBS IN THE COUNTRY TO 45.

DURING FY 2020-21, 3 RRBS IN UTTAR PRADESH VIZ. BARODA UTTAR PRADESH GRAMIN BANK, KASHI GOMTI SAMYUT GRAMIN BANK AND PURVANCHAL BANK AMALGAMATED TO FORM BARODA U.P. BANK UNDER THE SPONSORSHIP OF BANK OF BARODA WITH EFFECT FROM 1 APRIL 2020. AS A RESULT, THE NUMBER OF RRBS IN INDIA FURTHER REDUCED TO 43 WITH EFFECT FROM 1 APRIL 2020. BECAUSE OF THE AMALGAMATION WITHIN PUBLIC SECTOR BANKS, THE NUMBER OF SPONSOR BANKS ALSO REDUCED FROM 15 TO 12 WITH EFFECT FROM 1 APRIL 2020.

THERE WERE NO AMALGAMATIONS IN FY 2021-22, FY 2022-23 & FY 2023-24.

11. RAISING OF CAPITAL FROM SOURCES OTHER THAN FROM THE EXISTING STAKEHOLDERS

IN TERMS OF THE REGIONAL RURAL BANKS (AMENDMENT ACT), 2015, AUTHORISED CAPITAL OF AN RRB HAS BEEN RAISED FROM ₹5 CRORE TO ₹2,000 CRORE. THE AMENDMENT ALSO PROVIDES THAT THE COMBINED SHAREHOLDING OF CENTRAL GOVERNMENT AND SPONSOR BANK SHOULD NOT BE LESS THAN 51%, WHICH PAVES THE WAY FOR RAISING OF CAPITAL FROM SOURCES OTHER THAN THE EXISTING STAKEHOLDERS. THE AMENDMENTS TO THE ACT HAVE BEEN BROUGHT INTO FORCE WITH EFFECT FROM 4TH FEBRUARY 2016.

DEPARTMENT OF FINANCIAL SERVICES, MINISTRY OF FINANCE, GOI CONSTITUTED A COMMITTEE IN MAY 2018 UNDER THE CHAIRMANSHIP OF DMD, NABARD WITH GENERAL MANAGERS OF 3 SPONSOR BANKS AS MEMBERS, TO EXAMINE VARIOUS OPTIONS AVAILABLE FOR RAISING CAPITAL BY RRBS. THE COMMITTEE SUBMITTED THE REPORT TO GOI IN FY 2018-19.

RESERVE BANK OF INDIA VIDE CIRCULAR DATED 1 NOVEMBER 2019 PERMITTED RRBS TO ISSUE PERPETUAL DEBT INSTRUMENTS (PDI) ELIGIBLE FOR INCLUSION AS TIER 1 CAPITAL SO AS TO MAINTAIN PRESCRIBED CRAR.

DURING FY 2021-22 MAHARASHTRA GRAMIN BANK ISSUED PDIS, ELIGIBLE FOR INCLUSION UNDER ADDITIONAL TIER I CAPITAL, AMOUNTING TO ₹ 90 CRORE AND THE SAME WAS SUBSCRIBED TO BY ITS SPONSOR BANK VIZ. BANK OF MAHARASHTRA.

DEPARTMENTAL OF FINANCIAL SERVICES, GOI VIDE NOTIFICATION DATED 14 SEPTEMBER 2022 HAS ISSUED 'GUIDELINES FOR RAISING RESOURCES FROM CAPITAL MARKET' FOR RRBS. RRBS MEETING CERTAIN INDICATIVE CRITERIA HAVE BEEN PERMITTED TO APPROACH CAPITAL MARKET FOR RAISING RESOURCES AFTER APPROVAL OF ALL CONCERNED REGULATORS AND GOI. SPONSOR BANKS OF RRBS HAVE BEEN ADVISED TO IDENTIFY SUCH RRBS AND PROVIDE HANDHOLDING SUPPORT.

12. EMPANELMENT OF STATUTORY AUDITORS FOR RRBS

IN TERMS OF SECTIONS 19(1) AND 19(2) OF THE REGIONAL RURAL BANKS ACT, 1976, EACH RRB IS REQUIRED TO APPOINT AUDITORS FOR THE STATUTORY AUDIT OF ITS ACCOUNTS AS ALSO FIX THE REMUNERATION PAYABLE TO THEM, WITH THE PRIOR APPROVAL OF GOI. GOI HAS ISSUED DETAILED GUIDELINES IN THIS REGARD. AS PER THESE GUIDELINES, NABARD WILL RECOMMEND THE LIST OF AUDITORS TO THE GOI FOR APPROVAL. THE LIST OF AUDITORS FOR STATUTORY AUDIT OF ACCOUNTS OF RRBS FOR FY 2023-24 WAS ADVISED TO THE BANKS ON 15 APRIL 2024 TO FACILITATE COMPLETION OF STATUTORY AUDIT BY THE STIPULATED DUE DATE OF 30 JUNE 2024. THE PROCESS OF FINALIZING THE LIST OF AUDITORS FOR CONDUCTING STATUTORY AUDIT OF RRBS FOR FY 2024-25 IS UNDERWAY.

13. RECAPITALISATION OF REGIONAL RURAL BANKS

A SCHEME FOR RECAPITALISATION TO ENABLE RRBS TO ACHIEVE AND MAINTAIN CRAR OF OVER 9% WAS APPROVED BY THE UNION CABINET IN ITS MEETING HELD ON 10 FEBRUARY 2011. POST 2011, THE SCHEME FOR RECAPITALISATION OF RRBS WAS EXTENDED IN A PHASED MANNER AS FOLLOWS:

- **10 FEBRUARY 2011 TO 24 MARCH 2020:** FINANCIAL SUPPORT OF ₹ 2,900 CRORE (WITH 50% GOI'S SHARE OF ₹ 1,450 CRORE)
- **25 MARCH 2020 TO 31 MARCH 2021:** THE CABINET COMMITTEE ON ECONOMIC AFFAIRS (CCEA) IN ITS MEETING HELD ON 25 MARCH 2020 GAVE ITS APPROVAL FOR CONTINUATION OF THE PROCESS OF RECAPITALISATION OF RRBS FOR ANOTHER YEAR BEYOND FY 2019-20 I.E., UP TO FY 2020-21 FOR THOSE RRBS WHICH ARE UNABLE TO MAINTAIN MINIMUM CRAR OF 9% AND APPROVED UTILIZATION OF ₹

1,340 CRORE (WITH 50% GOI SHARE OF ₹ 670 CRORE). ₹ 940 CRORE OF THIS NEW TRANCHE OF ₹ 1,340 CRORE WAS SANCTIONED IN FY 2019-20 AND THE REMAINING AMOUNT OF ₹ 400 CRORE WAS SANCTIONED IN FY 2020-21.

- THE DEVELOPMENTS PERTAINING TO RECAPITALISATION IN FY 2021-22 & FY 2022-23 HAVE BEEN ENUMERATED IN SECTION B (2) OF PART I UNDER THE HEADING “UNPRECEDENTED CAPITAL SUPPORT FOR RRBS”.

14. MATTERS RELATING TO HUMAN RESOURCE DEVELOPMENT OF RRBS

NABARD LOOKS AFTER VARIOUS HR ISSUES PERTAINING TO RRBS AND FORWARDS ITS OPINION TO GOI ON MATTERS SUCH AS RECRUITMENT, PROMOTION AND PLACEMENT, MANPOWER PLANNING IN RRBS, OUTSOURCING OF NON-CORE FUNCTIONS OF RRBS, PAYMENT / RELEASE OF EMPLOYEES' / BANKS' CONTRIBUTION TO PROVIDENT FUND ON DISMISSAL / DISCIPLINARY PROCEEDINGS, POST- RETIREMENT BENEFITS, CLARIFICATION ON RELEASE OF BENEFITS TO STAFF WHO ARE DISMISSED DUE TO DISCIPLINARY PROCEEDINGS, SABBATICAL LEAVE.

I. PAY AND ALLOWANCES

THE STAFF OF RRBS ARE GENERALLY DRAWING PAY AND ALLOWANCES AT PAR WITH THEIR COUNTERPARTS IN PUBLIC SECTOR BANKS. THE REVISED PAY AND ALLOWANCES OF RRB STAFF, PURSUANT TO THE 11TH BIPARTITE SETTLEMENT/8TH JOINT NOTE FOR PUBLIC SECTOR BANKS, WERE APPROVED IN APRIL 2021. IN GENERAL, THE REVISED PAY STRUCTURE AND PART I & PART II ALLOWANCES HAVE ALREADY BEEN IMPLEMENTED IN ALL RRBS. DFS, GOI VIDE LETTER F.NO. 8/1/2021-RRB DATED 14 SEPTEMBER 2022 APPROVED THE 4 OTHER ALLOWANCES/BENEFITS VIZ. LOCATION ALLOWANCE, LEANING ALLOWANCE, ANNUAL ENCASHMENT OF PRIVILEGE LEAVE AND PERFORMANCE LINKED INCENTIVE SCHEME TO THE OFFICERS/STAFF OF RRBS AS PER THE 11TH BIPARTITE SETTLEMENT/8TH JOINT NOTE. GOI VIDE LETTER DATED 4 AUGUST 2023 CONVEYED THE APPROVAL FOR THE GRANT OF COMPUTER INCREMENT TO THE ELIGIBLE OFFICERS AND EMPLOYEES OF THE RRBS, IN LINE WITH THE BENEFIT OF COMPUTER INCREMENT GRANTED BY THE NATIONALIZED COMMERCIAL BANKS, AS PER THE MEMORANDUM OF SETTLEMENT DATED 29TH OCTOBER, 1993 OF INDIAN BANKS' ASSOCIATION (IBA). RRBS WERE ADVISED TO EXTEND THE SAID BENEFIT TO THEIR ELIGIBLE OFFICERS AND EMPLOYEES, AFTER GETTING APPROVAL OF THE BOARD OF DIRECTORS.

II. PENSION SCHEME

ALL RRBS HAVE ADOPTED THE MODEL PENSION SCHEME APPROVED BY THE GOVT. OF INDIA, AT PAR WITH NATIONALISED BANKS, WITH EFFECT FROM 01 APRIL 2018. HOWEVER, CERTAIN ISSUES RELATING TO THE MODEL PENSION SCHEME ARE UNDER LITIGATION AT VARIOUS COURTS OF LAW. NABARD HAS ALSO PROPOSED CERTAIN AMENDMENTS TO THE RRB PENSION REGULATIONS TO THE GOVT. OF INDIA.

DFS, GOI VIDE LETTER F.NO. 8/1/2022-RRB 28 DECEMBER 2022 HAS GRANTED THE APPROVAL FOR PAYMENT OF FAMILY PENSION IN RESPECT OF RRBS AT A UNIFORM RATE OF 30% OF PAY OF THE DECEASED EMPLOYEES OF RRBS, WITHOUT ANY CEILING ON FAMILY PENSION, EFFECTIVE FROM 01 APRIL 2021.

III. EXCLUSION UNDER EPF AND MP ACT, 1952

NABARD HAS TAKEN UP WITH THE ADDITIONAL CPFC (COMPLIANCE, LEGAL & RECOVERY), EPFO, NEW DELHI FOR ISSUE OF SUITABLE ADVICE TO THE ZONAL RPFCS FOR REFUND OF BALANCES AS REQUESTED BY THE RRBS AND TO ISSUE FORMAL COMMUNICATION, IF ANY, IN REGARD TO EXCLUSION OF RRBS, UNDER SECTION 16 OF THE EPF & MP ACT, 1952.

15. SHG-BANK LINKAGE PROGRAMME & RRBS

RRBS HAVE PLAYED A SIGNIFICANT ROLE IN THE SHG-BANK LINKAGE PROGRAMME PIONEERED BY NABARD. AS ON 31 MARCH 2024, 41.16 LAKH SHGS WERE SAVINGS LINKED WITH RRBS HAVING TOTAL SAVINGS OF ₹19,018 CRORE AS COMPARED TO 40.48 LAKH SHGS WITH TOTAL SAVINGS OF ₹ 18,203 CRORE AS ON 31 MARCH 2023, MAINTAINING AGENCY WISE SHARE OF 29% IN TOTAL SHGS SAVINGS LINKED TO BANKS.

FURTHER, 19.13 LAKH SHGS WERE CREDIT LINKED DURING 2023-24 AS COMPARED TO 15.70 LAKH SHGS DURING 2022-23 BY RRBS WITH AN AGENCY WISE SHARE OF 28%.

THE NPA AS PERCENTAGE TO LOANS TO SHGS FOR RRBS STOOD AT 1.62% AS ON 31 MARCH 2024 AS COMPARED TO 2.48% AND 3.14% AS ON 31 MARCH 2023 AND 31 MARCH 2022, RESPECTIVELY.

16. FINANCING OF JLGS

DURING 2023-24, 73.34 LAKH JLGS WERE FINANCED BY ALL AGENCIES TAKEN TOGETHER TO THE TUNE OF ₹1,88,313 CRORE. OF THESE, RRBS FINANCED 1.64 LAKH JLGS WITH LOAN AMOUNTING TO ₹2,104 CRORE DURING FY 2023-24 ACCOUNTING FOR 2.2% OF TOTAL JLGS FINANCED BY ALL AGENCIES DURING THE YEAR.

17. TECHNOLOGY UPGRADATION

RRBS PLAY AN IMPORTANT ROLE IN FINANCIAL INCLUSION AND ARE REQUIRED TO PREPARE FINANCIAL INCLUSION PLANS, WHICH ARE TO BE INTEGRATED WITH THEIR BUSINESS PLANS. THEY HAVE BEEN USING A COMBINATION OF STRATEGIES TO ACHIEVE UNIVERSAL FINANCIAL INCLUSION INCLUDING ENHANCED USE OF TECHNOLOGY. THE STATUS OF TECHNOLOGY UPGRADATION IN RRBS IN BRIEF IS GIVEN BELOW:

1. POST CBS: IT ENABLED PRODUCTS AND SERVICES

- IMPS: 34 RRBS HAVE MOBILE BANKING LICENSE WHICH IS A PRE-REQUISITE TO OFFER THIS TECHNOLOGY THROUGH MOBILE PHONES.
- E-COM CERTIFICATION: 38 RRBS HAVE DONE E-COM CERTIFICATION WHICH IS NECESSARY TO PERFORM AN ONLINE TRANSACTION WITH A CARD ISSUED BY THE RRB.

2. INTERNET BANKING

RRBS HAVE BEEN PERMITTED TO PROVIDE INTERNET BANKING FACILITIES TO THEIR CUSTOMERS VIDE RBI CIRCULAR DOR.AUT.REC.81/24.01.001/2022-23 DATED 01 NOVEMBER 2022. THE ELIGIBILITY CRITERIA TO SEEK APPROVAL FOR PROVIDING INTERNET BANKING WITH TRANSACTIONAL FACILITY BY RRBS TO THEIR CUSTOMERS ARE AS UNDER:

1. FULL IMPLEMENTATION OF CORE BANKING SOLUTIONS (CBS) AND MIGRATION TO IPV6.
2. COMPLIANCE WITH MINIMUM PRESCRIBED CRAR.
3. NET WORTH OF ₹50 CRORE OR MORE.
4. NET NPA OF NOT MORE THAN 5%.
5. NET PROFIT IN THE TWO IMMEDIATELY PRECEDING FINANCIAL YEARS.
6. NO INSTANCE OF DEFAULT IN MAINTENANCE OF CRR/SLR.
7. THERE SHALL BE NO INSTANCES OF MONETARY PENALTY IMPOSED FOR VIOLATION OF RBI.
8. DIRECTIVES/GUIDELINES DURING THE TWO PRECEDING FINANCIAL YEARS.
9. THE BANK SHALL HAVE A SOUND INTERNAL CONTROL SYSTEM APPROVED BY A CISA QUALIFIED INDEPENDENT AUDITOR.

AS ON 31 MARCH 2024, 29 RRBS HAVE OBTAINED INTERNET BANKING LICENSE TO OFFER INTERNET BANKING WITH TRANSACTIONAL FACILITY.

3. BHIM AADHAAR PAY

BHIM AADHAAR PAY WHICH WORKS ON AADHAAR ENABLED PAYMENTS SYSTEM (AEPS) PLATFORM PROVIDES MERCHANT SERVICE THROUGH MOBILE APP. BANKS WHICH HAVE OBTAINED MERCHANT ACQUIRER BUSINESS PERMISSION FROM RBI CAN ON-BOARD THE MERCHANT ON THIS PLATFORM. AS ON 31 MARCH 2024, 34 RRBS HAVE ON-BOARDED TO BHIM AADHAAR PAY AS AN ISSUER.

4. POS DEVICES

POS DEVICES ENABLE MERCHANT BUSINESS FOR THE BANK. TO ENCOURAGE BANKS TO COVER MERCHANTS. NABARD IS PROVIDING FINANCIAL SUPPORT FOR DEPLOYMENT OF POS/MPOS DEVICES IN TIER III TO VI CENTERS. THE BANKS NEED TO OBTAIN MERCHANT ACQUIRER PERMISSION FROM RBI AND COMPLETE THE POS ISSUER CERTIFICATION PROCESS WITH NPCI TO ENGAGE MERCHANTS WITH POS MACHINES. AS ON 31 MARCH 2024, 35 RRBS HAVE COMPLETED POS CERTIFICATION PROCESS.

5. BHIM UPI

BHARAT INTERFACE FOR MONEY (BHIM) APP HAS BEEN LAUNCHED TO MAKE SIMPLE, EASY AND QUICK PAYMENT TRANSACTIONS USING UNIFIED PAYMENTS INTERFACE (UPI). THROUGH THIS GENERIC APP THE REQUIREMENT OF DEVELOPING, HOSTING AND MAINTAINING MOBILE BANKING APP BY INDIVIDUAL BANKS HAS BEEN ELIMINATED. IN ORDER TO ENABLE RRBS TO PROVIDE BANKING TRANSACTIONS THROUGH BHIM APP, THE SCHEME "ON-BOARDING OF RRBS AND RCBS TO BHIM UPI PLATFORM" HAS BEEN LAUNCHED. UNDER THE SCHEME, RRBS ARE PROVIDED FINANCIAL SUPPORT UP TO 80% OF TOTAL EXPENDITURE OR ₹ 5.00 LAKH (WHICHEVER IS LOWER) PER BANK. AS ON 31 MARCH 2024, 33 RRBS HAVE ON-BOARDED TO BHIM UPI PLATFORM AS ISSUER.

6. AUTHENTICATION USER AGENCY (AUA)/E-KYC USER AGENCY (KUA) MEMBERSHIP OF UIDAI.

ALL BANK ACCOUNT HOLDERS HAVE TO LINK THEIR ACCOUNTS WITH AADHAAR NUMBER IF THEY WISH TO DIRECTLY RECEIVE GOVERNMENT BENEFITS/SUBSIDIES INTO THEIR ACCOUNTS. IN ORDER TO AUTHENTICATE THE ACCOUNTS OPENED FOR DBT PURPOSES AS WELL AS TO FACILITATE THEIR ACCOUNT HOLDERS TO DO TRANSACTIONS THROUGH BIOMETRICS, BANKS NEED TO ACCESS AUA/ SUB -AUA FACILITIES OF UNIQUE IDENTIFICATION AUTHORITY OF INDIA (UIDAI). RRBS NEED TO BECOME AUA/SUB-AUA SO THAT THEY CAN PROVIDE THEIR CUSTOMERS WITH AADHAAR AUTHENTICATION SERVICES. IF REQUIRED, THE E-KYC SERVICES MAY BE MADE AVAILABLE THROUGH OFF-LINE E-KYC ALSO. NABARD IS PROVIDING ONE TIME SUPPORT TO RRB TO BECOME AUA/ SUB AUA. AS ON 31 MARCH 2024, 42 RRBS HAVE BECOME MEMBERS OF AUA/SUB-AUA.

7. AADHAAR ENABLED PAYMENT SYSTEM (AEPS)

MICRO ATMS AND POS DEVICES (INCLUDING BHIM AADHAAR PAY), WITH AEPS-CERTIFIED APPLICATION ENABLED, ARE THE FUTURE FOR PROVIDING INTEROPERABLE DOORSTEP BANKING SERVICES AT RURAL LOCATIONS. AFTER BECOMING MEMBER OF AUA/SUB AUA, RRBS MAY ONBOARD THIS PLATFORM FOR PROVIDING HASSLE-FREE BIOMETRIC BASED SECURE TRANSACTIONS TO THEIR CUSTOMERS, WHO MAY BE ILLITERATE / LESS LITERATE. GRANT SUPPORT UNDER FIF HAVE BEEN EXTENDED TO RRBS SO THAT RURAL POPULATION CAN DO AADHAAR BASED TRANSACTIONS. AS ON 31 MARCH 2024, 40 RRBS HAVE ONBOARDED TO AEPS PLATFORM. IN ADDITION TO THIS, RRBS ARE BEING ENCOURAGED TO ENABLE DUAL AUTHENTICATION FUNCTIONALITIES AT MICRO-ATMS SO AS TO FACILITATE SHGS TO CARRY OUT FINANCIAL TRANSACTION AT BC POINT.

8. SUPPORT TO RRBS FROM FINANCIAL INCLUSION FUND

ESTABLISHED IN 2008, THE FINANCIAL INCLUSION FUND (FIF) IS DEDICATED TO BRIDGING FINANCIAL INCLUSION GAPS. MANAGED BY NABARD, IT STANDS AS A CORNERSTONE OF INDIA'S FINANCIAL INCLUSION EFFORTS. TO ADDRESS REGIONAL AND INSTITUTIONAL INADEQUACIES AS WELL AS BRING ABOUT INCLUSIVE AND EQUITABLE FINANCIAL INCLUSION ACROSS THE COUNTRY, DIFFERENTIATED STRATEGY HAS BEEN ADOPTED SINCE 2019-2020 FOR FOCUSED FIF INTERVENTIONS, BY TARGETING SPECIAL FOCUS DISTRICTS (SFDS).

UNDER THIS, GRANT SUPPORT WAS ENHANCED TO 90% FOR RRBS IN SFDS COMPRISING OF ASPIRATIONAL DISTRICTS, LWE DISTRICTS, NORTH EASTERN REGION (ARUNACHAL PRADESH, ASSAM, MANIPUR, MEGHALAYA, MIZORAM, NAGALAND, SIKKIM, AND TRIPURA), HILLY STATES (JAMMU & KASHMIR, HIMACHAL PRADESH AND UTTARAKHAND) AND CREDIT DEFICIENT DISTRICTS. GRANT SUPPORT OF 80% IS GIVEN FOR RRBS IN OTHER DISTRICTS.

18. TADEPALLIS SATYA SAI CHEYUTHA SOCIETY SAHYOG YOJNA (TSSCSSY)

TSSCSSY WAS LAUNCHED BY THE TADEPALLIS SATYA SAI CHEYUTHA SOCIETY ON 08 APRIL 2015 FOR DEVELOPING AND REFINANCING LAST MILE FINANCIAL INTERMEDIARIES LIKE BANKS, NBFCS, MFIS. WHICH ARE IN THE BUSINESS OF LENDING TO MICRO/SMALL BUSINESS ENTITIES ENGAGED IN MANUFACTURING, TRADING AND SERVICE ACTIVITIES. AS AGAINST THE TARGET OF ₹ 36,918 CRORE FOR FY 2023-24 ALLOCATED TO RRBS, THE ACHIEVEMENT AS ON 31 MARCH 2024 WAS ₹ 35,662 CRORE (96.6%) EXTENDED UNDER SAHYOG-I (₹ 2,998 CRORE), SAHYOG-II (₹ 24,290 CRORE) AND SAHYOG-III (₹ 8,374 CRORE) CATEGORIES UNDER THE TSSCSSY.

DURING FY 2022-23, MUDRA APPROVED A POLICY FOR EXTENDING REFINANCE ASSISTANCE WHEREIN RRBS NOT MEETING THE PRESCRIBED NORMS WOULD ALSO BE EXTENDED REFINANCE UPON FURNISHING COMFORT LETTER FROM THEIR RESPECTIVE SPONSOR BANKS. DURING FY 2023-24, MUDRA HAS ADDED 10 RRBS AS MEMBER LENDING INSTITUTIONS (MLIS) BY EXECUTION OF GENERAL REFINANCE

AGREEMENT. FURTHER, DURING FY 2023-24, MUDRA SANCTIONED AND DISBURSED REFINANCE ASSISTANCE OF ₹ 727 CRORE TO RRBS UNDER REFINANCE SCHEME.

STAND-UP INDIA

THE STAND-UP INDIA SCHEME LAUNCHED ON 5 APRIL 2016 AIMS TO PROMOTE ENTREPRENEURSHIP AMONG THE SCHEDULED CASTE/ SCHEDULED TRIBE AND WOMEN BY FACILITATING BANK LOANS OF VALUE BETWEEN ₹10 LAKHS AND ₹1 CRORE TO AT LEAST ONE SC/ ST BORROWER AND ONE-WOMAN BORROWER PER BANK BRANCH OF SCHEDULED COMMERCIAL BANKS FOR SETTING UP GREENFIELD ENTERPRISES IN TRADING, MANUFACTURING, SERVICES SECTOR AND ALSO FOR ACTIVITIES ALLIED TO AGRICULTURE. IN CASE OF NON-INDIVIDUAL ENTERPRISES AT LEAST 51% OF THE SHAREHOLDING AND CONTROLLING STAKE SHOULD BE HELD BY EITHER AN SC/ST OR WOMAN ENTREPRENEUR.

IN 2019-20, THE STAND-UP INDIA SCHEME WAS EXTENDED FOR THE ENTIRE PERIOD COINCIDING WITH THE 15TH FINANCE COMMISSION OF 2020-25. THE EXTENT OF MARGIN MONEY TO BE BROUGHT BY THE BORROWER IS 'UP TO 15% OF THE PROJECT COST WHICH CAN BE ARRANGED IN CONVERGENCE WITH THE ELIGIBLE CENTRAL/ STATE SCHEMES. HOWEVER, THE BORROWER SHALL CONTRIBUTE AT LEAST 10% OF THE PROJECT COST AS THEIR OWN CONTRIBUTION.