



# ALL INDIA RRB OFFICERS' FEDERATION

(AFFILIATED TO AIBOC)

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Circular # 12:2013

25<sup>th</sup> April, 2013

All Affiliates/ Members  
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## **BILL INTRODUCED TO ENHANCE CAPITAL OF REGIONAL RURAL BANKS**

With an aim to strengthen regional rural banks (RRBs), the government on 22<sup>nd</sup> April, Monday introduced a Bill in the Lok Sabha to raise their authorized capital by 100 times to Rs. 500 crore.

Currently, the authorized capital of RRBs is Rs. 5 crore and as per the proposed Bill raising it to Rs. 500 crore would help them widen banking services in rural areas.

The Regional Rural Banks (Amendment) also Bill, 2013, also seeks to allow RRBs to raise capital from sources other than the Central Government or the State Government or the Sponsor Bank.

However, the shareholding of the Central Government and the sponsor bank should not be less than 51 percent, said the Bill introduced by Minister of State for Finance Namo Narain Meena.

The centre holds 50 percent stake in RRBs, while 35 percent and 15 percent are with the sponsor banks and State Governments, respectively.



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“In view of growing business of the Regional Rural Banks and expansion of their role in both qualitative as well as quantitative terms in extending banking services in rural areas, a need was felt to amend the Regional Rural Banks Act, 1976 to strengthen their capital base and improve their overall capabilities,” it said.

The Bill also seeks to provide for the managerial and financial assistance from sponsor banks to be continued beyond the first five years of functioning of the RRBs.

“The State Government concerned shall be consulted if its shareholding is reduced below 15 percent and the Central Government may raise or reduce the shareholding of the Central Government, State Government concerned and the sponsor bank, by notification, with prior consultation with the State Government concerned,” the Bill proposed.

It also proposes to bring uniformity in accounting year, which is the date of closure of accounts, from December, 31 to March 31.



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The Bill has been introduced in accordance with the recommendation of Dr. KC Chakraborty, Dy. Governor, Reserve Bank of India

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With the introduction of the Bill and its likely passage the share holding of Central Government and the Sponsor Bank can be reduced to 51% and that of the State Government reduced or totally abolished. This is dangerous as the RRBs shall have private equity holding in the near future. The Central Government, Sponsor Bank and the State Government shall try to reduce their holding to the maximum extent of 51% in the guise of providing resources to RRBs.

AIRRBOF opposes the move totally and shall consider appropriate action.

With greetings,

  
(S.K. Bhattacharjee)

GENERAL SECRETARY