



# ALL INDIA BANK OFFICERS' CONFEDERATION

(Registered under the Trade Unions Act 1926, Registration No.3427/Delhi)

C/o State Bank of India Officers' Association (North-Eastern Circle)

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Date: 27.06.2024

## To All Affiliates (Please Circulate)

Dear Comrades,

## AIBOC & AIBEA WRITES TO HON'BLE FINANCE MINISTER, GOVT. OF INDIA DEMANDING MERGER OF RRB's WITH SPONSOR BANKS

We reproduce hereunder the contents of Joint Communique issued jointly by AIBOC & AIBEA addressed to Hon'ble Finance Minister dated 27.06.2024 on the captioned subject. The same has been widely circulated amongst the Print and Electronic Media.

## **#OurUnityLongLive**

With greetings,

(Rupam Roy)  
General Secretary

## Text of Joint Communique dated 27.06.2024

<p><b>ALL INDIA BANK OFFICERS' CONFEDERATION</b></p> <p>(Registered under the Trade Unions Act 1926, Registration No.3427/Delhi)</p> <p>SBI, LHO, Dispur, Guwahati-781006, Phone: 9957563825</p> <p>Web: <a href="http://www.aiboc.org">www.aiboc.org</a></p> <p>e mail- <a href="mailto:aiboc.sectt@gmail.com">aiboc.sectt@gmail.com</a> &amp; <a href="mailto:rupamr.aiboc@gmail.com">rupamr.aiboc@gmail.com</a></p>	<p><b>ALL INDIA BANK EMPLOYEES' ASSOCIATION</b></p> <p>Central Office: "PRABHAT NIVAS" Regn. No. 2037</p> <p>Singapore Plaza, 164, Linghi Chetty Street, Chennai-600001</p> <p>Phone: 25351522 Fax: 25358853</p> <p>Web: <a href="http://www.aibea.in">www.aibea.in</a></p> <p>e mail~ <a href="mailto:chv.aibea@gmail.com">chv.aibea@gmail.com</a> &amp; <a href="mailto:aibeahq@gmail.com">aibeahq@gmail.com</a></p>
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Date: 27.06.2024

**Smt. Nirmla Sitharaman**

Hon'ble Minister of Finance and Corporate Affairs

Govt. of India

New Delhi

Respected Madam,

## **MERGER OF REGIONAL RURAL BANKS WITH THE SPONSOR BANKS**

All India Bank Officers' confederation and All India Bank Employees Association, representing the collective voice of more than 6 lakhs bank employees, like to bring to your kind attention our demand for merger of Regional Rural Banks (RRBs) with their respective Sponsor Banks for ensuring overall efficiency and viability of the banking sector. The grounds of our demand are set out here in below.

Regional Rural Banks were set up as regional based and rural oriented institutions with capital contributed by Govt. of India, State Govts. and sponsored banks under the RRB 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 industries and other productive activities in rural areas. RRBs are expected to mobilise resources and deployed locally thus playing a significant role in developing the rural economy.

There are now 43 RRBs sponsored by 12 scheduled commercial banks with around 22,000 branches with operation extending to 30 Crore deposit accounts (approx.) and 3 crore loan accounts (approx.) covering 702 districts. All the Public Sector Banks except Punjab & Sind Bank sponsored one or more RRBs. J & K Bank is the only Private Sector Bank to sponsor an RRB. 92% of the RRB branches are located in rural and semi-urban area.

The RRBs are following BASEL I norms for determining their Capital Adequacy. In the context of emerging risk management challenges adherence to BASEL I norms is considered inadequate and globally the banking system is gradually shifted to BASEL III norms of provisioning requiring infusion of further core capital. The Financial year 2021-22 was a watershed year in the context of RRBs as Govt. of India decided to infuse Rs.10890 crores with 50% sharing by the GOI, 35% from the sponsored bank and 15% from the state govt. This is in sharp contrast to the total capital infusion by all stake holders of Rs. 8393 crores over a period of 45 years. However, this infusion of capital by the govt. remains inadequate for such RRBs numbering around 16, whose CRAR are either negative or lower than mandatory 9%. The need for maintaining a healthy CRAR will be further accentuated with the projected increasing credit flow to the rural sector. This will create a serious viability issue for the RRBs, which can only be mitigated by its merging with the sponsor banks. The merged entity will be able to access the capital market reducing its dependence on the budgetary support, which will be beneficial for fiscal management of the govt.

The major challenge for improving operational efficiency of RRBs stems from the fact that the RRBs are under dual control of NABARD and sponsor banks. While the day to day operational management of the RRBs are being looked after by senior executives from the sponsored banks, who are otherwise acclimatised to work under the regulatory framework of RBI and DFS fail to deliver their best in a different regulatory frame. It is imperative that for ensuring desired level of operational efficiency is duality of control over the RRBs should end and they

should be brought under operational and regulatory framework as being practiced by the sponsored banks and the same can be ensured by the merger of these two entities.

The RRBs are asked to upgrade their technological platform to the higher version as is prevailing in the sponsored banks. The work of technological upgradation is underway in all the 43 RRBs. The merger of RRBs with their sponsor banks will be a seamless technological transition.

The RRBs and the Commercial Banks are competitive amongst each other in the same market place wooing same targeted group of customers and offering identical banking services in many areas. However, RRBs are constrained to the extent that they are not in a position nor authorised in certain cases to offer all the modern banking products that are available in the country. The customers of RRBs are discriminated to that extent. Competition amongst Public Sector Banks and RRBs are leading to waste of scarce financial resources for offering same type of services and even then a large chunk of our rural population is being denied the fruits of technology driven up-to-date banking products. Merger of RRBs with Sponsor Banks will ensure delivery of uniform product range to the entire clientele ensuring accelerated growth of the rural economy and priority sector lending so vital in the govt.'s plan for a robust Indian Economic growth.

The merger of RRBs with their sponsor banks will update the skill of RRB employees to modern banking practices and effectively address the issues of staff shortages in both RRBs and the sponsored banks. Such integration in HR will also be seamless as the salary structures and other perquisites enjoyed by the officers and employees of RRBs are broadly same and they are also exposed to the work culture of their respective sponsor banks for all the operational support extended over the last 45 years.

Moreover, the proactive step of merging RRBs with their respective sponsor banks will facilitate enhanced supervision, governance and accountability ensuring greater sustainability of the entire banking sector.

The multifarious advantages that follow from merger of the RRBs with their sponsor banks make us unequivocal in placing our demand for a complete merger of all the 43 RRBs, which will ensure a complete transformation of the Rural Economy by combining the financial strength of the sponsor bank with the rural outreach of the RRBs arresting the trend of declining growth in CASA deposits and more efficient credit delivery system for the benefit of the entire rural population.

**We therefore, urge upon the government to merge all the RRBs with the respective sponsor banks.**

Sd/-  
**Rupam Roy**  
**General Secretary**  
**AIBOC**

Sd/-  
**C.H. Venkatachalam**  
**General Secretary**  
**AIBEA**