

Government of India
Ministry of Finance
Department of Financial Services

LOK SABHA
Starred Question No. *10

ANSWERED ON MONDAY, 21 JULY, 2025/ 30 ASHADHA, 1947 (SAKA)

Amalgamation of Regional Rural Banks (RRBs)

†*10. Shri Shankar Lalwani:

Shri Jagdambika Pal:

Will the Minister of FINANCE be pleased to state:

- (a) whether the amalgamation of Regional Rural Banks (RRBs) has enhanced their operational efficiency and financial stability;
- (b) if so, the details thereof;
- (c) the timeline and framework fixed for monitoring the implementation of this amalgamation; and
- (d) the steps taken to protect the interests of existing RRB employees and rural customers during and after the said amalgamation process?

Answer

THE FINANCE MINISTER
(SMT. NIRMALA SITHARAMAN)

(a) to (d): A statement is laid on the Table of the House.

Statement referred in reply to parts (a) to (d) of Lok Sabha Starred Question No. *10 to be answered on 21.07.2025 regarding 'Amalgamation of Regional Rural Banks (RRBs)' by Shri Shankar Lalwani and Shri Jagdambika Pal:

(a) and (b): In order to improve operational viability of Regional Rural Banks (RRBs) and to take advantage of economies of scale, Government of India initiated structural consolidation of RRBs in FY 2005-06. In Phase-I amalgamation (2005-2010), the number of RRBs was brought down from 196 to 82 by amalgamating RRBs of the same Sponsor Bank within a State. In Phase-II amalgamation (2012-14), the number of RRBs was brought down from 82 to 56, by amalgamating RRBs across Sponsor Banks within a State with geographically contiguous areas of operation. Phase-III amalgamation was initiated in the year 2019 by amalgamating weaker RRB with the stronger RRB. As a result of Phase-III amalgamation, the number of RRBs were brought down from 56 to 43 at the end-March 2021.

A study on the impact of amalgamation of RRBs on their financial performance was undertaken by NABARD in 2021 and it was observed that the amalgamation process in the past had resulted in improved viability and financial performance of the RRBs. Findings of the study were published by Reserve Bank of India (RBI) in their Statutory Publication on 'Report on Trend and Progress of Banking in India (2020-2021).

The study revealed that during the different phases of amalgamation, the share of profitable and sustainably viable RRBs improved continuously and the quantum of accumulated losses as a percentage of total assets also declined. Improved profitability of RRBs post amalgamation, coupled with capital infusion in weak banks, boosted their leverage ratio, as well as the reserves to capital ratio.

Guided by the principle of 'One State-One RRB', the Government continued with the process of further consolidation of RRBs in Phase-IV amalgamation to achieve the benefits of scale efficiency and cost-rationalisation, whereby number of RRBs has been reduced from 43 to 28 w.e.f. 01.05.2025, in 26 states and 2 UTs, vide GoI notification dated 05.04.2025.

Amalgamation of RRBs has resulted in formation of a state level RRB with contiguous area of operation leading to simplifying management and ease of service delivery. The RRBs have increased their capital base, enhancing the financial stability and resilience of the merged entity. By consolidating operations and eliminating redundancies on account of separate administrative structures, amalgamation is expected to lead to cost savings. Further, amalgamated RRBs can invest in and leverage advanced technology platforms, leading to improved operational efficiency and customer service.

(c) The amalgamation of RRBs, guided by the principle of 'One State-One RRB', has been carried out based on the audited financials as on 30.04.2025 with effective date of amalgamation as 01.05.2025. The Government has constituted State Level Monitoring Committee (SLMC) and National Level Project Monitoring Unit (NLPMU) to oversee and monitor the implementation of the amalgamation programme.

NABARD has issued National Level Standard Operating Procedure (SOP), containing detailed guidelines, which, *inter alia*, advises setting up of Amalgamation Project Management Unit (APMU), Steering Committee and Functional Committees in every Anchor/Transferee RRB to finalise the harmonised policies and operational guidelines, and to handle day-to-day integration plan.

(d) The GoI Notification of amalgamation, *inter alia*, provides for protection of the remuneration and conditions of service of the existing RRBs employees. The inter-se seniority of officers and employees are guided by the National Level SOP issued by the NABARD. To protect the interest of rural customers, the NLPMU has advised all RRBs to give adequate publicity of amalgamation through various communication channels (electronic & print media, SMS to customers, customer awareness meets at branch level etc). Further, RRBs have been advised to take necessary steps to set up call centres to handle customer grievances. As informed by NABARD, all branches continue to function under the new entities, ensuring uninterrupted access to banking services. Migration of customer accounts, deposits, and loans is being carried out without any major disruption.
