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 & Sind Bank, sponsor 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/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).

Table I: GoI's share (50% of total) allocated for Recapitalization of RRBs			
FY 2021-22		***FY 2022-23***	***Total GoI's share of Recapitalization allocated in FY 2021-22 and FY 2022-23***
Budget Estimates (BE)	*Revised Estimates (RE)*	*Budget Estimates (BE)*	
₹ 1,200 crore	₹ 4,084 crore	₹ 1,361 crore	₹ 5,445 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 etc.

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 Table II.

Table II: Movement of CRAR of RRBs with CRAR <9%

S. No.	Name of RRB	31 March 2021	31 March 2022
1	Vidharbha Konkan Gramin Bank	-20.80	-5.24
2	Utkal Grameen Bank	-16.01	3.44
3	Madhyanchal Gramin Bank	-11.17	10.39
4	Ellaquai Dehati Bank	-8.22	-1.21
5	Odisha Gramya Bank	-7.61	5.49
6	Nagaland Rural Bank	-2.93	8.25
7	Uttar Bihar Gramin Bank	-2.33	7.29
8	J & K Grameen Bank	-0.35	-2.31
9	Bangiya Gramin Vikash Bank	0.27	8.89
10	Paschim Banga Gramin Bank	0.34	4.76
11	Assam Gramin Vikash Bank	1.83	7.59
12	Manipur Rural Bank	2.37	7.24
13	Madhya Pradesh Gramin Bank	2.69	8.80

Table II: Movement of CRAR of RRBs with CRAR <9%			
S. No.	**Name of RRB**	**31 March 2021**	**31 March 2022**
14	Dakshin Bihar Gramin Bank	5.66	8.35
15	Uttarakhand Gramin Bank	6.25	11.01
16	Kerala Gramin Bank	6.57	11.41

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.

An overview of the borrowing portfolio of the RRBs and their costs is given in the following table.

Table III: Deposits of RRBs

(` Crore)

S.N	Parameter	31-Mar-20		31-Mar-21		31-Mar-22	
		Amount	Share (%)	Amount	Share (%)	Amount	Share (%)
1	Total Deposits	4,78,737	100	5,25,226	100	5,62,538	100
a)	Current	10,750	2	11,499	2	12,042	2
b)	Savings	2,44,414	51	2,71,516	52	2,94,438	52
c)	Term	2,23,573	47	2,42,211	46	2,56,057	46
2	CASA Deposits (%)	53.3		53.9		54.5	
3	Cost of Deposits (%)	5.1		4.5		4.1	
4	Share in Total Liabilities (%)	81.4		80.6		79.7	

Table IV: Range of CASA deposits

Range of CASA deposits %	No. of RRBs	% Share of Banks' Deposits in Total Deposits
> 70 %	8	19.6
60 % to 70 %	7	18.2
50 % to 60 %	13	26.3
30 % to 50 %	12	31.0
<30 %	3	4.9
Total	**43**	**100.0**

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 table.

Table V: Borrowings of RRBs

(` Crore)

S. N	Parameter	31-Mar-20		31-Mar-21		31-Mar-22	
		Amount	Share (%)	Amount	Share (%)	Amount	Share (%)
1	Total Borrowings	54,393	100	67,864	100	73,881	100
a)	NABARD	46,120	85	61,588	91	67,054	91
b)	Sponsor Bank	4,519	8	3,444	5	3,879	5
c)	Others	3,754	7	2,832	4	2,948	4
2	Borrowings to Liabilities (%)	9.2%		10.4%		10.5%	
3	Borrowings to Loans (%)	18.2%		20.3%		20.4%	
4	Cost of Borrowings (%)	5.9%		5.1%		4.5%	

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 table.

Table VI: Investments

(` crore)

S.N	Parameter	31-Mar-20		31-Mar-21		31-Mar-22	
		Amount	Share (%)	Amount	Share (%)	Amount	Share (%)
1	Total Investments	2,50,859	100	2,75,658	100	2,95,665	100
a)	SLR investments	1,43,166	57	1,93,097	70	2,15,216	73

b)	Balances in Deposit Account	92,292	37	72,052	26	71,726	24
c)	Non SLR/Other Investments	15,401	6	10,510	4	8,724	3
2	ID Ratio (%)	52.4%		52.5%		52.6%	
3	SLR Investments to Deposits (%)	29.9%		36.8%		38.3%	
4	Investments to Total Assets (%)	42.7%		42.3%		41.9%	
5	Yield on Investments (%)	7.0%		6.5%		6.2%	

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%) & 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.

Table VII: Purpose-wise Outstanding Advances

(` Crore)

Purpose	31-Mar-20		31-Mar-21		31-Mar-22		YoY growth in 2021-22
	Amount	Share (%)	Amount	Share (%)	Amount	Share (%)	
Priority (i to v)	**2,70,182**	**91%**	**3,00,962**	**91%**	**3,24,207**	**89%**	**7.7%**
i Agriculture	2,08,762	70%	2,33,145	70%	2,52,890	70%	8.5%
ii MSME	35,240	12%	39,543	12%	41,609	12%	5.2%
iii Education	2,358	1%	2,132	1%	1,896	1%	-11.0%
vi Housing	19,814	7%	21,127	7%	22,020	6%	4.2%
v Others	4,008	1%	5,016	1%	5,791	2%	15.5%
Non-priority	**28,032**	**9%**	**33,209**	**9%**	**38,631**	**11%**	**16.3%**
Gross Loans O/S	**2,98,214**	**100%**	**3,34,171**	**100%**	**3,62,838**	**100%**	**8.6%**
CD Ratio (%)	62.3		63.6		64.5		
Yield on Advances (%)	9.3		9.2		8.7		

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 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.
b) 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 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 PLSCs 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 table.

Table VIII: Priority Sector Lending Certificates (PSLCs)- RRBs

PSLC Issued (Amount in ₹ Crore)						
PSLC Category	FY 2020-21			FY 2021-22		
	No. Of RRBs	Value of PSLCs	Fee amount Earned	No. Of RRBs	Value of PSLCs	Fee amount Earned
PSLC Agriculture	24	40,731	625	21	29,850	511
PSLC General	7	4,004	24	2	1,750	19
PSLC Micro Enterprises	9	3,580	42	15	7,644	148
PSLC SF/MF	29	78,837	1,378	34	1,17,163	2172
Total	**33**	**1,27,151**	**2,069**	**37**	**1,56,407**	**2,850**
PSLC Purchased (Amount in ₹ Crore)						
PSLC Category	FY 2020-21			FY 2021-22		
	No. Of RRBs	Value of PSLCs	Fee amount Expended	No. Of RRBs	Value of PSLCs	Fee amount Expended
PSLC - Agriculture	5	735	12	4	1150	24
PSLC - General	20	52,628	232	27	67,771	478
PSLC - Micro Enterprises	8	7,125	38	10	6,223	29
PSLC - SF/MF	3	4,953	46	3	865	16
Total	**23**	**65,440**	**327**	**28**	**76,009**	**547**

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 table.

Table IX: RRBs- PSL Target and Achievement- FY 2021-22			
Sector/Sub Sector	**Target (%)**	**Achievement (%)**	**RRBs not Meeting Target/Sub-target**
Overall Priority Sector	75	90.1	• Meghalaya Rural Bank (71.5 %), • Nagaland Rural Bank (69.3%)
Agriculture	18	46.4	-
Small and Marginal Farmers	9	26.8	-
Non-Corporate Farmers	12.73	89.6	-
Micro Enterprises	7.5	12.0	-
Weaker Sections	15	78.9	-
Target and Achievement are as a % of ANBC as on corresponding date of previous FY			

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.

Table X: Ground Level Credit Flow of different agencies

(` Crore)

Agency	GLC	2018-19	2019-20	2020-21	2021-22
Cooperatives	GLC for the year	1,52,340	1,57,367	1,90,682	2,43,220
	% share to total	12.1	11.3	12.1	13.0
RRBs	GLC for the year	1,49,667	1,65,326	1,90,012	2,04,180
	% share to total	11.9	11.9	12.1	11.0
Commercial Banks	GLC for the year	9,54,823	10,70,036	11,94,704	14,15,964
	% share to total	76.0	76.8	75.8	76.0

Agency	GLC	2018-19	2019-20	2020-21	2021-22
	Total	**12,56,830**	**13,92,729**	**15,75,398**	**18,63,364**

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.

Table XI: Total Agri. credit flow: Target and Achievement by RRBs

(` Crore)

Year	Crop Loan			Term Loan			Total		
	Target	Ach.	Ach %	Target	Ach.	Ach %	Target	Ach.	Ach %
2021-22	1,64,247	1,66,782	102	49,721	37,398	75	2,13,968	2,04,180	95
2020-21	1,43,039	1,56,369	109	49,037	33,642	69	192,076	190,012	99
2019-20	1,35,135	1,38,069	102	40,365	27,257	68	1,75,500	165,326	94
2018-19	1,10,000	1,25,654	114	33,000	24,013	73	1,43,000	1,49,667	105

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).
- 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

The consolidated income and expenditure statement of RRBs is given in Annexure III. Profitability of RRBs during the last 3 years is summarized below.

Table XII: Profitability

(₹ Crore)

Indicator	2019-20	2020-21	2021-22
No. of RRBs	45	43	43
No. in Profit	26	30	34
Profit of RRBs in Profit (Amount)	2,203	3,550	4,116
No. in Loss	19	13	9
Loss of RRBs in Loss (Amount)	4,411	1,867	897

No. of RRBs with Accumulated Losses	17	17	16
Accumulated Loss	6,467	8,264	9,062
Aggregate net profit of all RRBs	(-)2,208	1,682	3,219

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.

Table XIII: Viability

(Amount in ₹ crore)

S. No	Viability Category	31 March 2020			31 March 2021			31 March 2022		
		No. of RRBs	Acc. Losses	Current Profit/ loss (-)	No. of RRBs	Acc. Losses	Current Profit/ loss (-)	No. of RRBs	Acc. Losses	Current Profit/ loss (-)
1	**Sustainably viable viz., in profit with no accumulated loss**	25	0	2,200	26	0	3,431	27	0	4,028
2	**Current profit with accumulated loss**	1	36	3	4	1,143	119	7	4,765	88
3	**a. Current Loss with acc. loss**	16	6,431	-3,351	13	7,121	-1,867	9	4,297	-897

S. No	Viability Category	31 March 2020			31 March 2021			31 March 2022		
		No. of RRBs	Acc. Losses	Current Profit/ loss (-)	No. of RRBs	Acc. Losses	Current Profit/ loss (-)	No. of RRBs	Acc. Losses	Current Profit/ loss (-)
	b. Current loss without acc. loss	3	0	-1,060	0	0	0	0	0	0
4	**Net Position**	45	6,467	-2,208	43	8,264	1,682	43	9,062	3,219
5	**% of Sustainably Viable RRBs**	**56**			**60**			**63**		

Sustainable Viable RRBs *are those which are in profit and do not have accumulated losses*

Currently Viable RRBs *are those which are in profit but have accumulated losses from earlier years.*

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.

A comparison of cost and margins for last three years is given in the following table.

Table XIV: Financial Costs and Margins (%)

S. No.	Parameter	2019-20	2020-21	2021-22
1.	Yield on Loans	9.31	9.20	8.68
2.	Yield on Investments	6.99	6.49	6.24
3.	Yield on Assets	7.88	7.58	7.21
4.	Cost of Deposits	5.14	4.53	4.11
5.	Cost of Borrowings	5.92	5.08	4.49
6.	Cost of Funds	4.69	4.15	3.72
7.	Net Interest Margin	3.19	3.44	3.49

S. No.	Parameter	2019-20	2020-21	2021-22
8.	Miscellaneous Income	1.04	1.14	1.28
9.	Staff Cost	2.64	2.56	2.45
10.	Cost of Management	3.62	3.27	3.19
11.	Risk Cost	1.01	1.03	1.09
12.	Return on Assets	-0.40	0.27	0.48

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.

The GNPA (%) has since then declined consistently over the past 3 years and stood at 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.

Table XV: Status of Non-Performing Assets

(Amount in ₹ Crore)

S. No	Parameters	31 Mar 2020	31 Mar 2021	31 Mar 2022
1	Gross NPA Amount	31,106	31,381	33,190
2	Loans Outstanding (Gross)	2,98,214	3,34,171	3,62,838
3	Loans Outstanding (Net)	2,86,919	3,15,180	3,42,479
4	Net NPA Amount	16,331	15,094	16,024
5	GNPA %	10.4	9.4	9.1
6	Net NPA %	5.8	4.8	4.7
7	Provision Coverage Ratio (%)	47.0	51.1	52.0

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%.

Table XVI: Classification of Non-Performing Assets							
(Amount in ₹ Crore)							
Category of NPA	**31-Mar-20**		**31-Mar-21**		**31-Mar-22**		**YoY Growth in 2021-22**
	Amount	**(%)**	**Amount**	**(%)**	**Amount**	**(%)**	**(%)**
Sub Standard -1	10,608	3.6	9,828	2.9	11,318	3.1	15.2
Doubtful Assets -2	19,655	6.5	20,668	6.2	20,899	5.8	1.1
Loss Assets - 3	843	0.3	885	0.3	973	0.3	9.9
Gross NPA - (1+2+3)	**31,106**	**10.4**	**31,381**	**9.4**	**33,190**	**9.1**	5.8

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 table below.

Table XVII: GNPA (%) across different sectors- RRBs				
S. No.	***Sectors / Sub Sectors***	***31 Mar 2020***	***31 Mar 2021***	***31 Mar 2022***
1	Priority Sector	10.8	9.9	9.9
2	Non-Priority Sector Loans	6.5	4.6	3.1
3	Total NPAs	10.4	9.4	9.1
Sectoral NPA (Priority + Non-Priority)				
I	Agriculture (A+B+C)	8.7	8.3	9.1
A	Farm Credit (i+ii+iii)	8.5	8.2	9.1
i	*Crop Loans*	*7.3*	*6.9*	*8.2*
ii	*Investment Credit*	*14.9*	*18.3*	*17.7*
iii	*Allied Activities*	*11.3*	*8.5*	*8.8*
B	Agriculture Infrastructure	15.2	15.0	16.9
C	Ancillary Activities	34.1	22.5	20.6
II	MSME	21.4	19.4	16.0

Table XVII: GNPA (%) across different sectors- RRBs				
S. No.	***Sectors / Sub Sectors***	***31 Mar 2020***	***31 Mar 2021***	***31 Mar 2022***
III	Education	26.0	23.1	24.0
IV	Housing	10.0	7.0	4.4

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.

Table XVI: Productivity

(Amount in ₹ Crore)

Productivity	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Per Branch	24.9	27.9	30.1	32.7	35.6	39.3	42.3
Per Employee	5.9	6.9	7.3	7.7	8.5	9.8	10.2

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.

Table XVII: Range of CD ratio				
S. No.	**Range of CD Ratio**	**31 Mar 2020**	**31 Mar 2021**	**31 Mar 2022**
1	Less than 30%	3	3	2
2	Between 30% to 40%	10	7	6
3	Between 40% to 60%	14	14	14
4	Between 60% to 80%	9	10	13
5	Above 80%	9	9	8
Total		**45**	**43**	**43**

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 in 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.

Table XVIII: RRBs Participation in Government Schemes- 31 March 2022 Accounts / Enrolments in Crore				
S.N	**Government Scheme**	**RRBs**	**Total**	**RRB Share (%)**
1	No. of PMJDY Accounts	8.32	45.06	18.5%
2	Cumulative No. of Persons Enrolled under PMSBY	3.77	28.37	13.3%
3	Cumulative No. of Persons Enrolled under PMJJBY	1.57	12.76	12.3%
4	Cumulative No. of Persons Enrolled under APY	0.74	4.00	18.5%
5	Total No. of PM- Kisan Beneficiary Bank Accounts	1.99	11.78	16.9%

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 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.

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.

Table XIX: Refinance Support from NABARD for RRBs

(Amount in ` Crore)

Parameter	FY 2019-20	FY 2020-21	FY 2021-22	YoY Growth (%)	
				2020-21	2021-22
No. of RRBs which availed refinance	27	35	42	29.6	20.0
Short Term Refinance	17,045	23,118	27,622	35.6	19.5
Long Term Refinance	10,849	15,157	14,389	39.7	-5.1
Special Liquidity Facility	-	6,700	7,746	-	15.6

Total Refinance during the year	**27,894**	**44,975**	**49,758**	**61.2**	**10.6**

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

(i) Improving CD ratio through loan diversification

(ii) Emulating best technology practices of niche banks operating in rural areas

(iii) Identifying pro-forma NPAs and suitably providing for them in their balance sheets

(iv) Active participation in government schemes/package

(v) 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, etc.

(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.

Sr.No.	Description	Eligible Category	Applicable Date
1	Location Allowance (Non-CCA Centres)	Officers	01.11.2017
2	Learning Allowance	Officers	01.11.2017
3	Annual Encashment of Privilege Leave	Officers & Staff	Calendar year 2020
4	Performance Linked Incentive Scheme	Officers & Staff	FY 2020-21

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 etc.

9. SHG-Bank Linkage Programme & 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 E-Shakti 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. Status of Technology in RRBs

The status of technology adoption in 43 RRBs as on 31 March 2022, is given in Table XV:

Table XXI: Status of Technology in RRBs as on 31 March 2022

S. N.	Particulars	No. of Banks
1.	Banks on CBS	43
2.	No. of Banks having RTGS/NEFT	43
3.	Banks on card technology both RuPay Debit and RuPay KCC	43
4.	Public Financial Management System	43
5.	Mobile Banking license obtained	30
6.	Internet Banking with view facility	20
7.	Internet Banking with transaction facility	11

12. 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:

12.1 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.

12.2 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.

12.3 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.

12.4 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.

12.5 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.

12.6 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).

12.7 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.

12.8 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.

13. Pradhan Mantri Mudra Yojana (PMMY)

PMMY was launched by the Hon’ble Prime Minister 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 PMMY.

(Source: MUDRA)

14. Stand-up India

Government of India 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. The performance of RRBs under the scheme during FY 2021-22 is given in table below:-

(Amount in ₹ crore)

Table XXII: Overall Achievement (SC/ST and women)

Category	Target (No. of Accounts)	Achievement (No. of Accounts)	Sanc. Amt.	Disb. Amt.
SC	12726	265	41.36	16.2
ST		58	9.54	2.61
Women	12726	1069	160.32	85
Total	**25452**	**1392**	**211.19**	**103.82**

Source: Standup India portal

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Annexure I : RRBs - Comparative position of key performance indicators

(Amount in ₹ Crore)

Particulars	2019-20	2020-21	2021-22
No. of RRBs (No.)	45	43	43
Branch Network (No.)	21,847	21,856	21,892
Share Capital	7,849	8,393	14,880
Reserves	26,814	30,348	34,359
Deposits	4,78,737	5,25,226	5,62,538
Borrowings	54,393	67,864	73,881
Investments	2,50,859	2,75,658	2,95,665
Gross Loans & Advances O/s	2,98,214	3,34,171	3,62,838
No. of RRBs earning Profit	**26**	**30**	**34**
Amount of Profit (A)	2,203	3,550	4,116
No. of RRBs incurring Losses	**19**	**13**	**9**
Amount of Losses (B)	4,411	1,867	897
Net Profit of RRBs (A – B)	-2,208	1,682	3,219
No. of RRBs with acc. Losses	**17**	**17**	**16**
Accumulated Losses	6,467	8,264	9,062
NPA to loans outstanding (%)	10.4	9.4	9.1
No. of RRBs with GNPA>7%	**27**	**25**	**21**
No. of RRBs with GNPA>10%	**18**	**15**	**13**
Net Owned Funds	28,196	30,477	40,177
No. of RRBs with CRAR<9%	**17**	**16**	**13**

Annexure II: Regional Rural Banks: Consolidated Balance Sheet

(Amount in ₹ Crore)

Sr. No.	Item	At end-March		Y-o-Y Growth in Percent	
		2021	2022	2020-21	2021-22
1	2	3	4	5	6
1	Share Capital	8,393	14,880	6.9	77.3
2	Reserves	30,348	34,359	13.2	13.2
3	Deposits	5,25,226	5,62,538	9.7	7.1
3.1	Current	11,499	12,042	7.0	4.7
3.2	Savings	2,71,516	2,94,438	11.1	8.4
3.3	Term	2,42,211	2,56,057	8.3	5.7
4	Borrowings	67,864	73,881	24.8	8.9
4.1	from NABARD	61,588	67,054	33.5	8.9
4.2	Sponsor Bank	3,444	3,879	-23.8	12.6
4.3	Others	2,832	2,948	-24.6	4.1
5	Other Liabilities	19,754	19,742	-2.3	-0.1
	Total Liabilities/Assets	**6,51,585**	**7,05,400**	**10.8**	**8.3**
6	Cash in Hand	2,954	3,119	3.3	5.6
7	Balances with RBI	18,947	22,174	13.2	17.0
8	Balances in current account	5,987	8,127	-21.4	35.8
9	Investments	2,75,658	2,95,665	9.9	7.3
10	Loans and Advances (net)	3,15,181	3,42,479	12.5	8.7
11	Fixed Assets	1,229	1,256	-0.5	2.2
12	Other Assets #	31,629	32,580	11.0	3.0
12.1	Accumulated Losses	8,264	9,062	27.8	9.7

#: Includes accumulated losses.

Annexure III: RRBs: Consolidated Income & Expenditure Statement

(Amount in ₹ Crore)

Sr. No.	Item	Amount		Y-o-Y Change in per cent	
		2020-21	2021-22	2020-21	2021-22
1	2	3	4	5	6
A	**Income (i + ii)**	**53,858**	**56,585**	8.9	5.1
i	Interest income	46,803	48,048	7.1	2.7
ii	Other income	7,055	8,537	22.6	21.0
B	**Expenditure (i+ii+iii)**	**52,176**	**53,367**	1.0	2.3
i	Interest expended	25,588	24,817	-1.5	-3.0
ii	Operating expenses	20,201	21,295	0.6	5.4
	of which, Wage bill	15,799	16,338	7.8	3.4
iii	Provisions and contingencies	6,386	7,254	14.1	13.6
	of which, Income Tax	1,279	1,278	37.5	-0.1
C	**Profit**				
i	Operating profit	7,872	10,337	164.9	31.3
ii	Net profit	1,682	3,219	Turnaround	91.3
D	**Average Working Funds**	**6,17,305**	**6,66,532**	11.1	8.0
E	**Financial ratios #**				
i	Operating profit	1.3	1.6		
ii	Net profit	0.3	0.5		
iii	Income (a + b)	8.7	8.5		
a)	Interest income	7.6	7.2		
b)	Other income	1.1	1.3		
vi.	Expenditure (a+b+c)	8.5	8.0		
a)	Interest expended	4.1	3.7		
b)	Operating expenses	3.3	3.2		
	of which, Wage bill	2.6	2.5		
c)	Provisions and contingencies	1.0	1.1		
d)	Cost to Income Ratio	71%	67%		

Notes:

1: # Financial ratios are percentages with respect to Average Working Funds.

2. Totals may not tally on account of rounding off of figures in ₹ Crore. Percentage. Variations could be slightly different as absolute numbers have been rounded off to ₹ Crore

3. Provisions & Contingencies include Provision for Income Tax/Income Tax paid

Annexure IV: Recapitalization of RRBs- Amount Sanctioned and Released in FY 2021-22

Recapitalization of RRBs- FY 2021-22

(Total : Rs 8,168 crore of which GoI Share(50%): ₹ 4,084 Crore)

GoI Share released by NABARD End of Day on 31 March 2022

S. N	State	Name of RRB	Spon-sor Bank	Sponsor Bank Share		State Government Share		GoI Share	
				Amt. Sancti-oned	Amt. Releas-ed	Amt. Sanct-ioned	Amt. Releas-ed	Amt. Sanct-ioned	Amt. Releas-ed
1	Arunachal Pradesh	Arunachal Pradesh RB	SBI	0.46	0.46	0.20	0.20	0.66	0.66
2	Assam	Assam GVB	PNB	128.11	128.11	54.90	16.84	183.01	144.95
3	Bihar	Dakshin Bihar GB	PNB	185.72	185.72	79.59	16.00	265.31	201.72
4	Bihar	Uttar Bihar GB	CBI	404.10	404.10	173.19	34.00	577.29	438.10
5	Jammu & Kashmir	Ellaquai Dehati Bank	SBI	34.92	34.92	14.97	-	49.89	34.92
6	Jammu & Kashmir	J & K GB	J & K Bank	100.73	-	43.17	-	143.90	-
7	Jharkhand	Jharkhand RGB	SBI	1.59	1.59	0.68	-	2.27	1.59
8	Kerala	Kerala GB	Canara Bank	219.60	219.60	94.12	94.12	313.72	313.72
9	Madhya Pradesh	Madhya Pradesh GB	BoI	296.60	296.60	127.12	127.12	423.72	423.72
10	Madhya Pradesh	Madhyanchal GB	SBI	198.59	198.59	85.11	85.11	283.70	283.70
11	Maharashtra	Maharashtra GB	BoM	36.15	36.15	15.49	15.49	51.64	51.64
12	Maharashtra	Vidharbha Konkan GB	BoI	270.24	270.24	115.82	30.51	386.06	300.75

Recapitalization of RRBs- FY 2021-22 (Total : Rs 8,168 crore of which GoI Share(50%): ₹ 4,084 Crore) GoI Share released by NABARD End of Day on 31 March 2022									
S. N	***State***	***Name of RRB***	***Spon-sor Bank***	***Sponsor Bank Share***		***State Government Share***		***GoI Share***	
				Amt. Sancti-oned	***Amt. Releas-ed***	***Amt. Sanct-ioned***	***Amt. Releas-ed***	***Amt. Sanct-ioned***	***Amt. Releas-ed***
13	Manipur	Manipur RB	PNB	5.10	5.10	2.18	2.18	7.28	7.28
14	Mizoram	Mizoram RB	SBI	11.82	11.82	5.07	-	16.88	11.82
15	Nagaland	Nagaland RB	SBI	2.36	2.36	1.01	1.01	3.37	3.37
16	Odisha	Odisha GB	IoB	273.79	273.79	117.34	-	391.13	273.79
17	Odisha	Utkal GB	SBI	239.16	239.16	102.50	-	341.66	239.16
18	Uttar Pradesh	Aryavart Bank	BoI	54.60	54.60	23.40	-	78.01	54.60
19	Uttarakhand	Uttarakhand GB	SBI	38.84	38.84	16.64	16.64	55.48	55.48
20	West Bengal	Bangiya GVB	PNB	253.90	253.90	108.81	-	362.71	253.90
21	West Bengal	Paschim Banga GB	UCO	90.40	90.40	38.74	-	129.15	90.40
22	West Bengal	Uttar Banga KGB	CBI	12.02	12.02	5.15	-	17.18	12.02
Total				**2,858.80**	**2,758.07**	**1,225.20**	**439.22**	**4,084.00**	**3,197.29**