

Regional Rural Banks- Sustainability through Outreach



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Scheme of Presentation

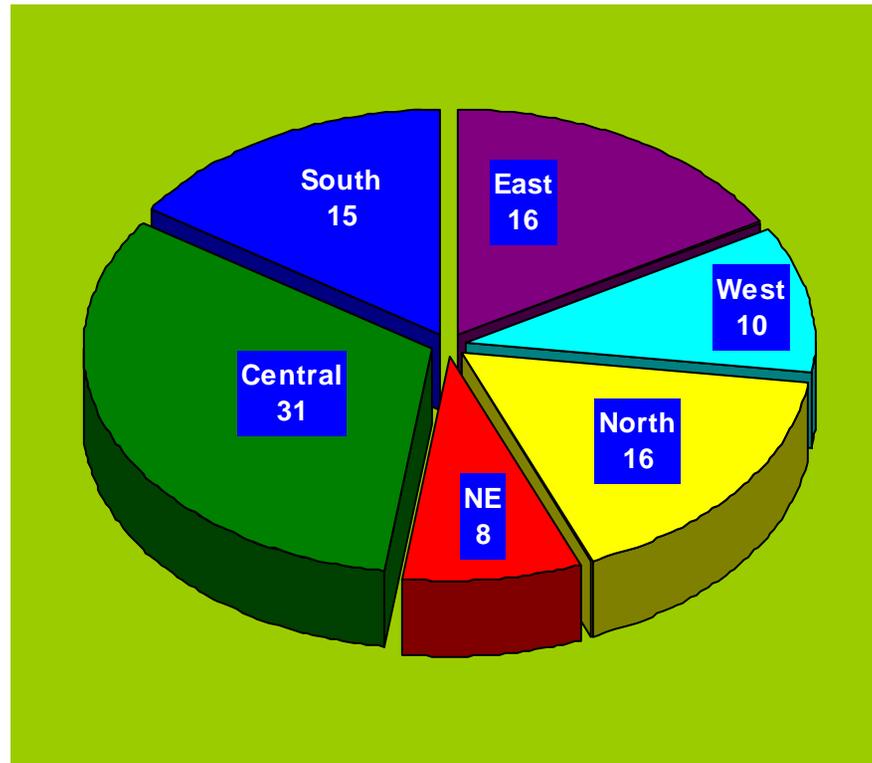
- I. RRBs' mandate and to what extent fulfilled
- II. Perceived tension between poor clientele and profitability
- III. Sustainability through Consolidation and Outreach

Mandate and Performance

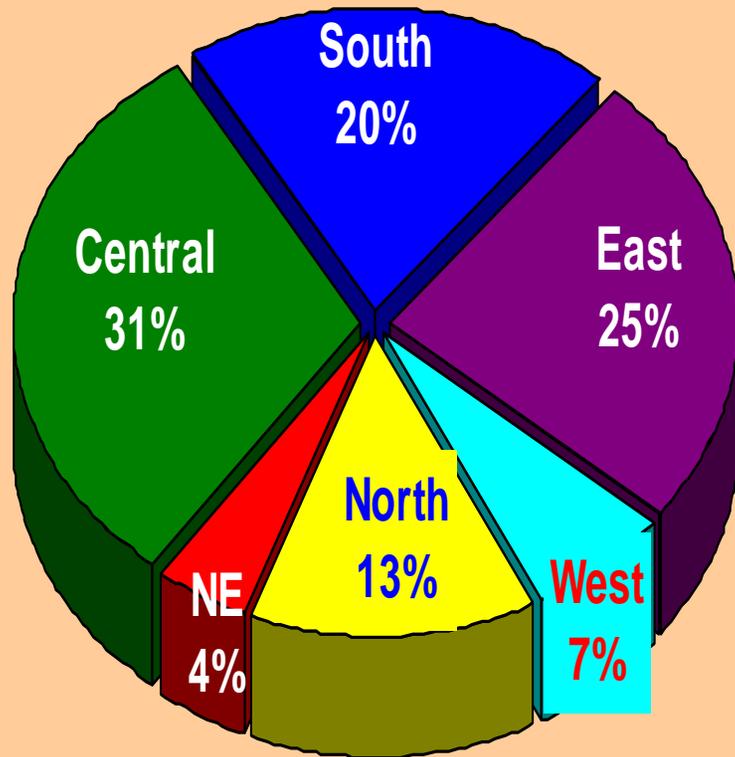
- Alternative credit delivery channel to eradicate rural indebtedness in the hands of rural money-lenders particularly for crop production purposes.
- Impressive branch network (17 in 12 districts in 1995 to 14,816 in 585 districts)
- Low-income clientele
- Mid 80s, main purveyors of IRDP, abysmal recovery

Region-wise RRBs

31 March 2007



Distribution of Branches (As on 31 March 2007)



Total Branches - 14519

- **Rural 79.5%**
- **Semi Urban 16.3%**
- **Urban 4.1%**
- **Metro 0.08%**

***Opening Of New Branch -
Plan for 2007-08 (as on 31.07.07)***

- **91 Branches in 20
uncovered districts**
- **678 Branches in 222
already covered districts**

Share of Rural Business of RRBs among Scheduled Commercial Banks, 2005

Banks	Rural branches			
	Deposit		Credit	
	Accounts	Amount	Accounts	Amount
RRBs	31	19	38	21
Other SCBs	69	81	62	79
Total	100	100	100	100

Region-wise Deposits – 3 Years (Rs. Cr)

ZONES	2004-05	Gr%	2005-06	Gr%	2006-07	Gr%
West ¹	3410	8.8	3959	16.1	4883	23.3
North	8333	9.7	9758	17.1	11590	18.8
South	12076	13.8	14130	17.0	17169	21.5
Central	20903	10.5	23856	14.1	26903	12.8
East	14482	8.3	16337	12.8	18554	13.6
NER	2939	7.9	3289	11.9	3786	15.1
All India	62143	10.3	71329	14.8	82885	16.2

Priority Sector Advances of RRBs (Rs in crore)

Purpose	1995	2007	CAGR
Agriculture	2,177 (35.0)	27,964 (70.4)	23.71
Non Agriculture	4,049 (65.0)	11,731 (29.6)	9.27
Total	6,226 (100)	39,365 (100)	16.69

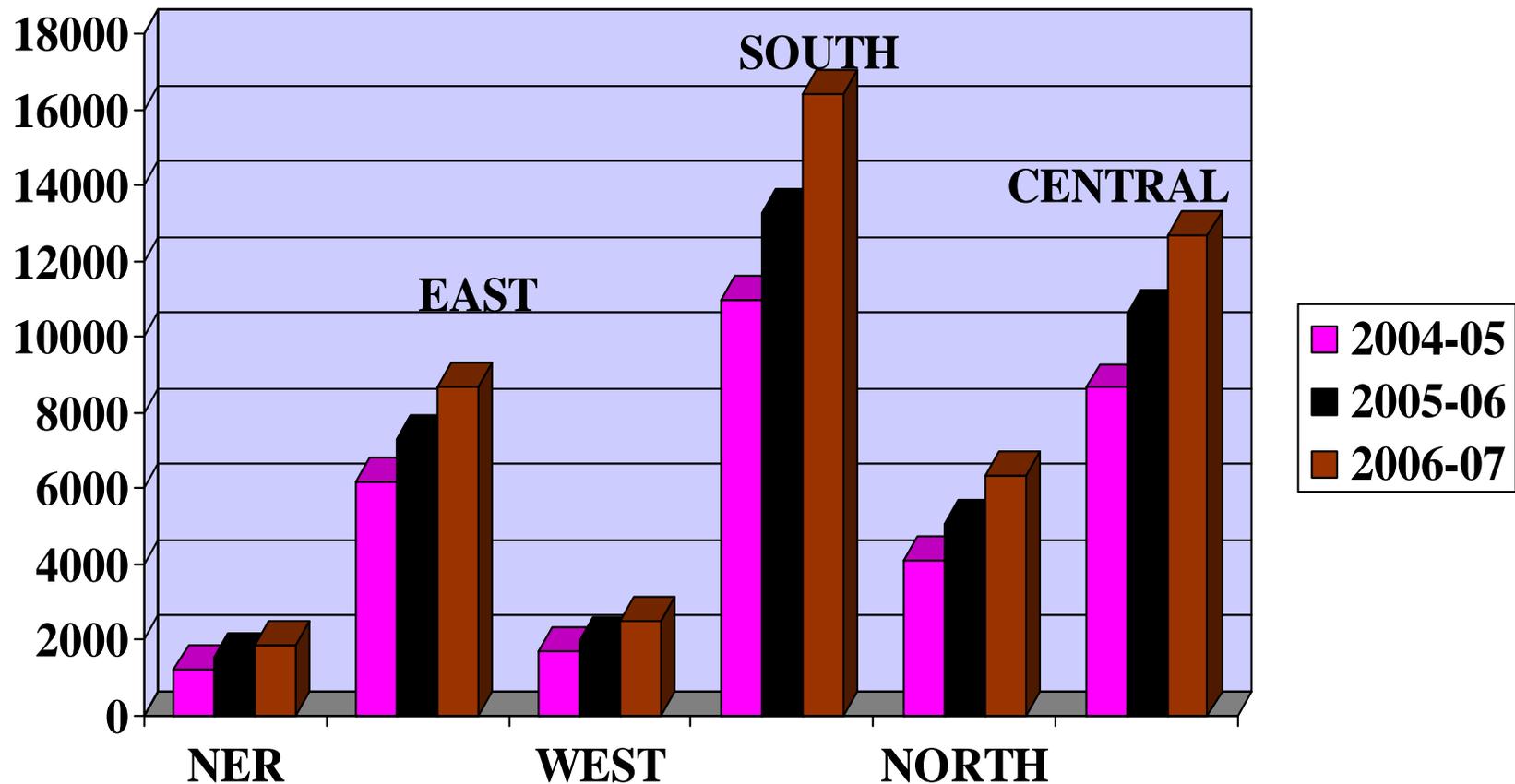
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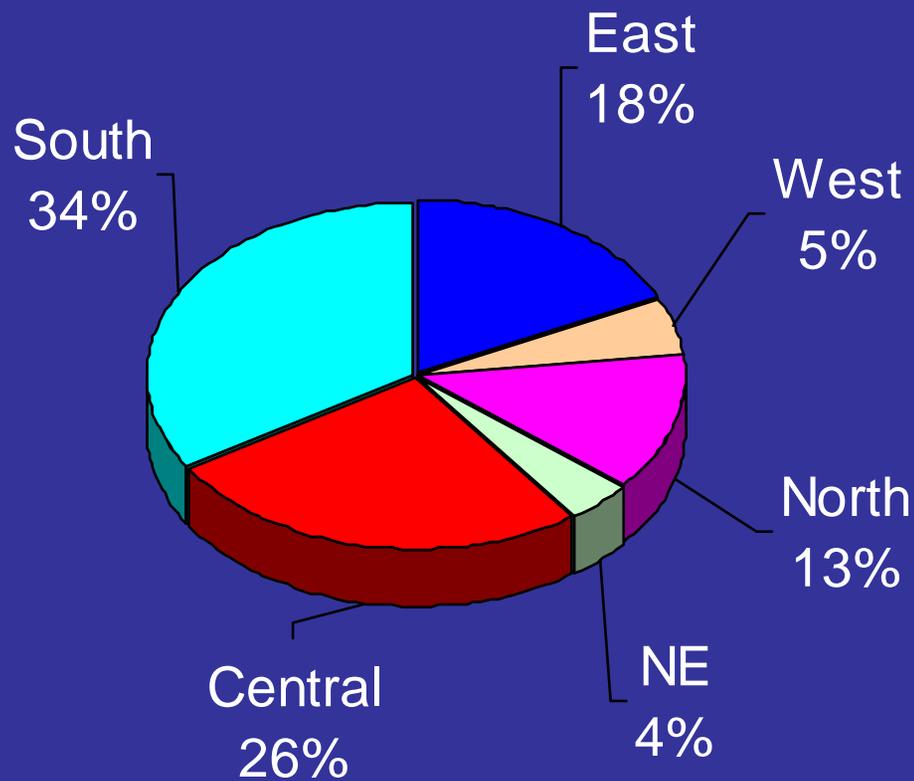
Region wise Loan O/S & Growth for 3 YEARS (Rs. Crore)

Zones	2004-05	Gr. %	2005-06	Gr. %	2006-07*	Gr. %
NER	1223	25.2	1534	25.4	1875	22.2
WEST	1720	21.6	1961	14.0	2528	28.9
NORTH	4106	27.7	5079	23.7	6351	25.0
CENTRAL	8654	24.6	10616	22.8	12653	19.2
SOUTH	10974	29.4	13239	20.6	16423	20.0
EAST	6193	21.7	7283	17.6	8664	18.9
INDIA	32870	25.9	39712	20.8	48494	22.1

Region-wise Loans Outstanding- 31 March 2007 (Rs. Cr)



Region-wise Loans Outstanding - 31 March 2007



- ❖ PSL -Rs. 39695 Crs.
- ❖ NPSL -Rs. 8799 Crs.
- ❖ PSL to Loan o/s-81.85%
- ❖ Agri Loans as % PSL-70.45
- ❖ Agri as % to Loan o/s-57.66

Region wise Credit Deposit Ratio & (Investment Deposit Ratio) 2004-05 - 2006-07

	2004-05	2005-06	2006-07
NER	41.63 (61.26)	46.64(57.22)	49.53 (44.49)
NORTH	49.27(59.39)	52.05(58.50)	54.80(49.90)
CENTRAL	41.40(69.04)	44.50(67.71)	47.03(55.23)
WEST	50.45(59.49)	49.54(61.04)	51.77(45.12)
SOUTH	90.9 (41.8)	93.7 (40)	95.7 (36)
EAST	42.76(58.74)	44.58(57.46)	46.69(39.09)
ALL INDIA	52.89(59.16)	55.68(57.74)	58.51(45.78)

RRBs- Key Parameters (Amt in crore)

	2004-05	2006-07
No. of RRB	196	92 (Now 88, stand alone 42 & 45 amalgamated, 1 new)
District	523	535 (Now 585)
Branch	14484	14519 (now14816)
Staff	68912	68277
Owned fund	6181	6647 (2005-06)
Deposit	62143	82885
Investment	36762	41182 (2005-06)
CD ratio	53 %	58.5 %
I-D ratio	59 %	45.8 %

RRBs- Key Parameters-

CONTD.

	<u>2004-05</u>	<u>2006-07</u>
Br. Productivity	6.56	9.05
Staff Productivity	1.38	1.92
RRBs accumulated loss (no.)	83	39
RRBs in profit (no)	166	80
RRBs in loss (no.)	30	16
Banks with sust. viability	111	75 (2005-06)
Banks with current viability	56	36 (2005-06)
Recovery %	78	79.8
Gross loans & advances (cr)	32870	48494
Gross NPA %	8.53	6.4

Financially Un-viable?

- *Khusro* Committee (1989): ‘weaknesses of RRBs endemic to the system and non-viability is built into it’. *Basu* (1996) and *Thingalaya* (1997): Liquidate weak RRBs
- Of 196 RRBs, 173 loss making, NPA 43%, in 1994.
- Recap of 187 RRBs for Rs. 2,188 crore (1995-2000) (Rs. 1,857 crore under process for 29 RRBs)

Low-income Clients~Low Profit?

- Sinha *et al* (2003): No binding tension between poorer clientele and viability (sample: 3 profit, 2 loss)
- Higher CDR, outreach to low-income clients better profitability (CDR improved 42 in 2002 to 58.5 2007)
- Leadership and product design key

RRBs: Business Development

- Incremental Business and arrest asset slippages.
 - Tap 100 % Financial Inclusion in extended areas: ***Opening Of New Branch - Plan as on 31.07.07: 91 Branch in 20 uncovered dists.***
 - **678 Branches in 222 covered dists. by 57 RRBs covered**
 - **Act as SHPI for higher growth in SHG-Bank linkage prog**
 - Avail of special package below not taken off (Cir. 27.12.05)
- Enhance Resource through:
- Line of credit – sponsor bank
 - Inter – RRB term money
 - Repo / CBLO; Business through:
 - Credit / Debit cards , ATMs
 - Currency Chest & Forex.
 - Pension / Govt. Business
 - Open treasury branch at capital/metro for sound RRBs

Region wise Gross (Net NPA) in % -3 Years

	2004-05	2005-06	2006-07
NER	16.35 (7.37)	13.73 (6.12)	11.53 (4.69)
NORTH	5.05 (2.75)	4.79(2.5)	3.78 (1.79)
CENTRAL	10.82 (6.54)	8.74(5.03)	8.00 (4.48)
WEST	12.91 (7.59)	10.37(5.33)	7.03 (1.98)
SOUTH	4.57 (2.43)	4.00(1.73)	2.98 (1.54)
EAST	11.90 (7.04)	10.66(6.94)	11.18 (6.83)
INDIA	8.53 (4.84)	7.28 (3.99)	6.39 (3.41)

PSBs-2006(BSR)

- **Gross NPA**

3.7%

- **Net NPA-**

1.3%

**Region wise Recovery
(%) – 30 June of Previous Year**

	2004-05	2005-06	2006-07
NER	59.26	65.82	67.13
NORTH	85.95	88.37	88.42
CENTRAL	77.90	78.15	77.65
WEST	74.93	75.55	78.58
SOUTH	80.24	83.28	82.25
EAST	69.14	71.01	69.92
INDIA	77.67	79.85	79.85
PSBs recovery : 2004 –74.5%, 2005 – 84%			

Productivity – Branch & Staff –3 Years

Productivity	2004-05	2005-06	2006-07
Branch	6.56	7.66	9.05
Growth%	14.92	16.79	18.11
Staff	1.38	1.62	1.92
Growth %	15.79	17.35	18.92

Profitability: No. of RRBs (Rs. Cr.) - 31.03.07

	Profit (No)	Loss (No.)	Acc. Loss (Amt.)
NER	5	3	7 (254.36)
NORTH	13	3	5 (272.39)
CENTRAL	29	2	10 (312.30)
WEST	9	1	4 (132.00)
SOUTH	15	0	0
EAST	9	7	13 (1775.06)
INDIA	80	16	39 (2746.12)

Improving CD Ratio:

Debt Swap Scheme

GOAL	Status & Action to be taken
<p>Debt Swap Scheme – Each branch may ADOPT at least one VILLAGE for freeing them from money lenders.</p>	<ul style="list-style-type: none"> •NABARD launched in April 2007 a refinance Scheme 'Krishak Saathi Scheme' to redeem loans of Indebted farmers. • NABARD increased refinance limits for financing a borrower up to Rs.50 lakhs for amalgamated & Rs.20 lakhs for stand-alone RRBs. •Increased Exposure limit of Rs.15 Lakhs for single borrower. <p>ADOPT VILLAGES (COMPREHENSIVE INCLUSIVE DEVELOPMENT)</p>

THRUST AREAS

- **EXTENSION OF AREA OF OPERATION**
- **BRANCH EXPANSION IN UNSERVED AREAS**
- **FARMERS CLUB**
- **KISAN CREDIT CARD (KCC)**
- **DEBT SWAP SCHEME**
- **INFORMATION TECHNOLOGY**
- **TRAINING STAFF OF ALL CADRES OF RRBs**
- **NEW PRODUCTS E.G. INSURANCE & NON-FUND BASED BUSINESS.**
- **CO-BRANDING OF PRODUCTS**

Union Budget 2007-08 :

Branch Expansion Programme - Area Expansion

GOAL	Status & Actions
Covering ALL Uncovered Districts By Opening of At Least One Branch in 2007-08	Status: <ul style="list-style-type: none"> ❖ No. of Districts – 622 (As on 01 April'07) ❖ Districts covered- 565 (13 Aug'2007) ❖ Districts uncovered – 57, Of which <ul style="list-style-type: none"> - 24 Districts in States <u>NOT COVERED</u> by RRBs - 33 Districts in States COVERED by RRBs

Use of Information Technology

GOALS	Status & Action to be taken
RRBs to first migrate to TBS & then to CBS	Sponsor Bank to Prepare a Road map for Computerisation for their RRBs A small working will be formed for modalities and timeframe
Technology Platform for RRBs	As per Sample study of 42 RRBs: <ul style="list-style-type: none">• 67.66% computerised Branches (4425 computers in 6540 Branches)• 19 RRBs having 100% computerised Branches• 12 RRBs having Networking in 12 Head Offices & 5 Controlling offices• No CBS in the sample of 42 RRBs

Financial Inclusion – 31 March 2007 (No. of a/cs in lakhs)

Region	Deposits	Loans&Advances
NER	33.88	5.84
WEST	39.10	7.42
NORTH	65.34	11.33
CENTRAL	238.86	41.25
EAST	151.20	42.55
SOUTH	154.56	56.81
ALL INDIA	682.94	165.20

(unaudited)

Financial Exclusion - the numbers are huge€

- **111.5 million Rural Households (out of 147.9 million)**
 - **Without access to formal financial services**
(Rangarajan Committee Report, 2007)
 - **15.1 million Rural & 2.8 million Urban Households**
 - **Indebted to Moneylenders**
(AIDIS Survey, 2002)
 - **67.2% Households**
 - **Borrowed from Non-Institutional Sources**
(Invest India Incomes & Savings Survey (IIMS), 2007)
 - **Credit from Scheduled Commercial Banks to Small Unorganized Sector Enterprises to**
 - **Only 2.4 million (4.2%) out of 58 million units**
(Sengupta Committee Report, 2007)
 - **Lower the income levels, higher the exclusion**
 - **Only 27.5% of earners in annual income bracket <Rs.50,000 borrowed from Institutional sources**
vis-à-vis 70% with income >Rs.4,00,000
(IIMS, 2007)
- € Cited in Usha Thorat's presentation

Problem is acute in certain areas

Distribution of States according to the extent of Estimated Financial exclusion

Extent of Financial exclusion	States
Above 75%	Meghalaya, Arunachal Pradesh, Uttarakhand, Assam, Mizoram, Manipur, Jharkhand
50% to 75%	Bihar, Chhattisgarh, Himachal Pradesh, Jammu & Kashmir, Nagaland, Orissa, Sikkim, Tripura, Uttar Pradesh
25% to 50%	Karnataka, Kerala, Madhya Pradesh, Maharashtra, Punjab, Rajasthan, Tamil Nadu, West Bengal
Below 25%	Andhra Pradesh

Source: 59th Round of NSSO, 2005



May we work with local rural communities and acquire new skills!

Thank You.