

F. No. 7/6/2011-RRB  
Government of India  
Ministry of Finance  
Department of Financial Services

New Delhi dated the 8 September, 2011

The CEOs of all sponsor banks of RRBs

Subject: Operational Integration, human resource development and related issues of RRBs.

Sir/Madam,

As you are aware, RRBs are an integral part of rural credit system and are expected to play an increasingly important role in the development of particularly rural areas. It is important that the RRBs function in a highly professional manner, embracing the technological advancements. The Government of India had taken a number of steps to improve the functioning of the RRBs and their financial health. Recapitalization process for the financially weak RRBs to improve their CRAR as per the recommendations of CRAR Committee is under progress.

3. With a view to modernize and strengthen the technology up gradation and functioning of RRBs to compete and play a more meaningful role in the financial services sector, the following steps need to be initiated in a time bound manner:-

**(1) BANKING OPERATION**

Banking operations of the RRBs need to be functionally integrated with their sponsor banks. This will allow seamless banking transactions between these banks while maintaining their distinct separate organizational character. For integration of banking operations, the following need to be ensured:-

- a) Cheques/drafts issued by RRBs should be treated at par with that of their sponsoring banks;
- b) ATM services provided by the Sponsoring Banks and/or RRBs should be treated as of the same bank and charges for using the services at such ATMs should be at par with charges of sponsoring banks for its customers.
- c) RRBs should move to CBS on the lines of their sponsoring banks by 30<sup>th</sup> September, 2011. The CBS of the Sponsoring banks and the sponsored RRBs could be integrated by 31 December 2011.
- d) RRBs should develop their e-governance plan by 30<sup>th</sup> September, 2011. Milestones for the implementation of the plans must be specifically laid down. This should be reviewed in the meeting of the Board as a permanent agenda item.
- e) For ATMs and BCs, RRBs will adopt the rates received by the sponsoring banks, thereby obviating the need for fresh tenders. Sponsoring banks will include requirement of RRBs in their bids.

- f) In Semi urban and Rural areas, the branches of sponsoring banks and RRB, if existing at the same place, must be relocated so that both are at different places. This should, be done on the basis of 'last come first go' principle.

## **(2) HUMAN RESOURCE DEVELOPMENT**

Human resource development is a major challenge facing the RRBs. The sponsoring banks need to play a more proactive role in the human resource development in their sponsored RRBs. In order to mitigate the HR issues in RRBs and to provide better exposure to the employees of RRBs in banking services the following measures should be taken:

- a) RRBs should, as far as possible, adopt HR practices as in the respective sponsor banks;
- b) With a view to have energetic and pro-active head of the RRBs the sponsor banks should ensure that persons of over 45 years of age are not appointed as Chairmen of the RRBs. The Chairman must be selected on purely professional considerations and must be given a tenure of five years.
- c) In order to ensure the above a list of Chairmen to be appointed in RRBs should be shortlisted by the board on a policy approved by it.
- d) With a view to RRB employees get better exposures in banking services, the sponsor banks could take RRB employees on deputation to the extent of the number of employees deputed by them in RRBs.

## **(3) AUDIT OF RRBs**

Status of audit in the RRBs deserves special attention. Chairmen of the sponsoring banks should periodically review the status of Audit of their sponsored RRBs. A report of the same should be sent to this Department on regular basis.

Kindly acknowledge receipt of this letter. Action taken report may be sent to this Department by 30th September, 2011.

Yours faithfully,

Sd/-

(Umesh Kumar)

Joint Secretary to the Government of India

Copy for information and necessary action to:-

1. The Chairmen of all RRBs
2. The Government nominee on the Boards of sponsor banks of RRBs.
3. The Chairman, NABARD, Head Office, Mumbai.
4. The CGM-in-charge, RPCD, RBI, Central Office, Mumbai.

