

Merger of Banks in Madhya Pradesh

Why in News?

The Central Government will implement the **One State-One RRB policy** from **1 May 2025**, to **improve the quality of rural banking services**.

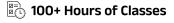
Key Points

- About One State-One RRB Policy :
 - Under this policy, the number of <u>Regional Rural Banks (RRBs)</u> will be reduced from 43 to 28, with one RRB serving all rural areas in each state.
 - Each new RRB will have an authorised capital of Rs 2,000 crore and operate with improved efficiency, management, and customer service.
- Objective:
 - To improve the effectiveness and organization of rural banking services.
 - Providing integrated services and improved access to customers.
 - Reduce operating costs and grow business.
 - Accelerating financial inclusion.
- Historical background of Unification:
 - In the first phase (2006-2010), the number of RRBs was reduced from 196 to 82.
 - In the second phase (2013-2015), it was reduced **from 82 to 56** and in the third phase, it was **reduced from 56 to 43**.
 - Now there will be a total of 28 RRBs left in the fourth phase .
- Merger of banks in Madhya Pradesh:
 - From 1 May 2025, Madhya Pradesh Gramin Bank and Madhyanchal Gramin Bank have merged into a single rural bank, sponsored by Bank of India with its headquarters in Indore.
 - The move aims to strengthen rural banking and streamline operations.

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Regional Rural Banks (RRBs)

• Regional Rural Banks (RRBs) were **established in the year 1975** under the provisions of

the Ordinance promulgated on September 26, 1975 and the Regional Rural Banks Act, 1976.

- RRBs are financial institutions which ensure adequate credit for agriculture and other rural sectors.
- RRBs enhance the co-operative features and the capacity of a commercial bank to mobilise business and financial resources while being familiar with rural problems.
- Regional Rural Banks are operated in collaboration with the Government of India, State Governments and sponsor banks.
- The shareholding of the Government of India, sponsor banks and the respective states in these banks is **50%**, **35%** and **15%** respectively.
- Regional Rural Banks are regulated by the 'National Bank for Agriculture and Rural Development' (NABARD).

