



## 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 **Regional Rural Banks (RRBs)** 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)**.

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