



# NATIONAL CONFEDERATION OF BANK EMPLOYEES

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All letters to be addressed to the General Secretary

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**NCBE/GS/2025/27**

**Date: 22.07.2025**

To,  
Smt. Nirmala Sitharaman ji  
Hon'ble Union Minister for Finance and Corporate Affairs  
Government of India,  
North Block,  
New Delhi – 110001

Respected Madam,

**APPEAL AGAINST DFS GUIDELINES FOR RAISING CAPITAL THROUGH  
INITIAL PUBLIC OFFER (IPO) BY REGIONAL RURAL BANKS**

We invite your attention to a matter of profound concern regarding the recent directive dated 16<sup>th</sup> May 2025 issued by the Department of Financial Services to the Chairman/MD & CEOs of Sponsor banks proposing guidelines for Regional Rural Banks (RRBs) for raising capital through Initial Public Offer (IPO).

2. The primary objective of Regional Rural Banks (RRBs) in India, as outlined in the Regional Rural Banks Act, 1976, is to promote the development of the rural economy. This development is to be achieved by providing credit and other facilities for various purposes in rural areas. Specifically, these facilities are intended for:

- Development of agriculture.
- Development of trade.
- Development of commerce.
- Development of industry.
- Development of other productive activities in rural areas.

The Act emphasizes that these credit and other facilities are to be provided particularly to the small and marginal farmers, agricultural labourers, artisans, and small entrepreneurs.

3. In contrast, the Government of India initiated the process of amalgamation of Regional Rural Banks (RRBs) in the financial year 2018–19 under the principle of 'One State – One RRB'. This led to a sharp decline in the number of RRBs:

<b>Period</b>	<b>No of RRBs</b>
2018-19	53
2019-20	45
2020-21	43
2024-25	28

However, this consolidation exercise has caused more harm than good, particularly to rural customers. Several branches were either closed or merged during the amalgamation process, thereby limiting banking access for people in remote and underserved areas. This approach has, unfortunately, diverted RRBs from their original objective as outlined in the RRB Act, 1976, i.e., to serve the rural poor, small and marginal farmers, and agricultural labourers by providing accessible and affordable banking services at the grassroots level.

4. It is deeply concerning to note that the Department of Financial Services (RRB Section), Ministry of Finance, has issued guidelines to the Chairman/Managing Directors, and Chief Executive Officers of sponsor banks, advising them to initiate the process for raising capital through Initial Public Offerings (IPOs) and to submit the names of Regional Rural Banks (RRBs) deemed eligible for such listing.

5. Raising capital from the market by the Regional Rural Banks (RRBs) undermines their core objective under the RRB Act, 1976, which is to promote the development of the rural economy. Stock market listing would shift their focus from rural development to profitability, discouraging lending to small and marginal farmers considered high-risk and low-return. Investor pressure may compel RRBs to cut costs and reduce exposure to priority sectors, aligning decisions with market sentiment instead of developmental goals. It would also dilute government and sponsor bank control, threatening the public sector character of RRBs. Private shareholders may resist social welfare schemes like priority sector lending and interest subventions. To maintain margins, RRBs could increasingly target urban markets, leading to closure or neglect of rural branches. This may affect rural access to banking and deepen the rural–urban divide. Additionally, the drive for efficiency could result in staff reduction, outsourcing, and erosion of employee service conditions, impacting service quality and industrial peace. Only financially strong RRBs may qualify for IPOs, creating a two-tier system, i.e. market-driven versus state-supported banks. Listing introduces public shareholders into an already complex ownership structure (Centre, State, Sponsor Bank), causing governance challenges and slower decision-making. It may also weaken the oversight roles of DFS and NABARD, as shareholder interests may conflict with policy goals. Finally, RRBs lack brand recognition and high returns, making them unattractive to investors, risking failed or undervalued IPOs and harming institutional credibility.

6. In light of the above, it is evident that raising capital from the market through IPOs for Regional Rural Banks, especially those that are financially sound, poses significant risks to their foundational objectives, structural integrity, and public service role. Such a move may commercialize institutions that were specifically created to serve the most vulnerable sections of our society, leading to reduced access, increased inequality, and a dilution of developmental priorities. We, therefore, strongly urge the Government of India and the Ministry of Finance to reconsider this approach and uphold the spirit and purpose of the RRB Act, 1976, by preserving the pro-people, rural-focused character of Regional Rural Banks.

With best regards,

Yours sincerely,



**(L. CHANDRASEKHAR)**  
**GENERAL SECRETARY**