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DFS Approves 'Viability Plan 2.0' for Regional Rural Banks

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The Department of Financial Services (DFS) under the Ministry of Finance approved Viability Plan 2.0 for Regional Rural Banks (RRBs) for the period 2025–26 to 2027–28. The revised framework aims to improve the financial sustainability, governance standards, and operational efficiency of RRBs across India.?

About Viability Plan 2.0:

Viability Plan 2.0 is a revised three-year monitoring and reform framework designed to strengthen the long-term competitiveness of Regional Rural Banks. It builds upon the earlier Viability Plan implemented from FY2021–22 to FY2024–25, which focused on improving governance reforms and institutional performance in RRBs.

The new framework introduces 30 performance parameters grouped under four major pillars:

Operational excellence

Asset quality

Profitability

Growth

The plan will assess important indicators such as Capital to Risk Weighted Assets Ratio (CRAR), credit-deposit ratio, digital adoption, Non-Performing Assets (NPAs), recovery performance, profitability ratios, and implementation of government schemes.

Objectives of the Initiative:

The main objectives of Viability Plan 2.0 are:

Strengthening financial stability of RRBs

Kamaraj IAS Academy

Plot A P.127, AF block, 6 th street, 11th Main Rd, Shanthi Colony, Anna Nagar, Chennai, Tamil Nadu 600040

Phone: 044 4353 9988 / 98403 94477 / Whatsapp : 09710729833

Enhancing operational efficiency
Improving governance and accountability
Promoting digital banking adoption
Expanding rural credit outreach
Supporting financial inclusion in rural areas

About Regional Rural Banks (RRBs):

Establishment:

Regional Rural Banks were established in 1975 under the Regional Rural Banks Act, 1976 to provide banking and credit services to rural and agricultural sectors.

Ownership Structure:

RRBs are jointly owned by:

Government of India – 50%

Sponsor Bank – 35%

State Government – 15%

Functions

RRBs primarily focus on:

Providing credit to farmers and rural artisans

Supporting agriculture and allied activities

Promoting rural development

Expanding financial inclusion in underserved areas

Currently, India has 28 Regional Rural Banks operating across various states.

Significance of Viability Plan 2.0

Strengthening Rural Banking

The initiative is expected to improve the overall health and competitiveness of RRBs, making them more capable of serving rural economies effectively.

Promoting Financial Inclusion

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By improving outreach and digital banking infrastructure, the plan supports the government's financial inclusion objectives such as:

Jan Dhan Yojana

Direct Benefit Transfer (DBT)

Digital payment expansion

Improving Credit Delivery:

Better-performing RRBs can enhance credit availability for:

Small and marginal farmers

Self-help groups (SHGs)

Rural entrepreneurs

MSMEs in rural regions

Supporting Rural Economy

A stronger rural banking system contributes to agricultural growth, employment generation, and balanced regional development.

Challenges Faced by RRBs:

Despite reforms, RRBs continue to face several challenges:

High levels of NPAs

Limited profitability

Technological and digital infrastructure gaps

Regional disparities in performance

Dependence on sponsor banks

Low financial literacy in rural areas