



Role of Regional Rural Banks in Rural Development

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ABSTRACT

Rural development is the economic betterment of people and social transformation to provide the rural people with better prospects for economic development there must be an increased participation of people in the rural development programmes, decentralization of planning, better enforcement of land reforms and greater access to credit. In order to provide these Regional Rural Banks (RRBs) have been created with a view to serve primarily the rural India with basic banking and financial services. RRB's have branches set up for urban operations too.

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To raise the standard of living for the socio-economic upliftment of

KEYWORDS : Regional Rural Banks, Rural development, rural areas, financial assistance.

Introduction

In India, Regional Rural Banks (RRBs) were established in October 2, 1975. Since its inception, these RRBs have been playing a predominant role in the economic development of rural India. The main motto of establishing these banks in India was to provide credit to the rural people who are living in poverty and economically unsound and to inculcate banking habits among the rural population. NABARD and RRBs have been playing a catalyst role for the development and promotion of rural areas. NABARD has brought in a number of innovations in the rural credit domains which include (a) Formation & Linkage of SHGs, (b) Farmers Club, (c) District Rural Industries Project, (d) Kisan Credit Card (KCC), (e) Rural Infrastructure Development Fund (RIDF), (f) Watershed Development etc. The Regional Rural Banks (RRBs) are aimed at providing credit and other required facilities to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs in rural areas.

The growth of the rural industries in India and the development of the rural business and economy have been dependent largely on the investment and financial aids provided by the Regional Rural Banks.

The annual report of NABARD 2013-2014 has revealed that against the target of ₹7,00,000 crore of credit flow to agriculture sector for 2013-14, the banking system has disbursed ₹7,23,225 crore (provisional) as on 31 March 2014. Commercial Banks, Co-operative Banks and Regional Rural Banks (RRBs) disbursed ₹5,21,496 crore, ₹1,18,422 crore and ₹83,307 crore against their respective targets of ₹4,75,000 crore, ₹1,25,000 crore and ₹1,00,000 crore.

Structure and functions of RRBs

The authorised capital of RRB is fixed at Rs. 1 crore and its issued capital at Rs. 2 lakhs. Of the issued capital, 50 per cent is to be subscribed by the Central Government, 15 per cent by the concerned State Government and the rest 35 per cent by the sponsoring bank. The working and management of the RRBs are directed and managed by Board of Directors consists of a Chairman, three directors who are to be nominated by the Central Government, and not more than two directors to be nominated by the State Government concerned, and not more than 3 directors to be nominated by the sponsoring bank. The chairman is appointed by the Central Government and he holds office for a period of five years.

OBJECTIVES OF THE RRBs:

Main objective of the Regional Rural Banks are:

1. To provide the financial facilities for the development of agriculture trade, commerce and other productive activities to the economically and socially marginalized,
2. To provide low-cost banking facilities to the poor,
3. To provide employment facilities to the weaker sections by appointing them as the works of RRBs and

the weaker sections of the rural society.

Functions of the RRB:

The RRBs have been established to perform the following functions:

- (1) Granting of loans and advances to small and marginal farmers and agricultural labourers, individually or in groups, and to co-operative societies, agricultural processing societies, co-operative farming societies, primarily for agricultural purposes or for agricultural operations and other related purposes;
- (2) Granting of loans and advances to artisans, small entrepreneurs and persons of small means engaged in trade, commerce and industry or other productive activities within its area of co-operation; and
- (3) Accepting deposits.

Regional Rural Banks in India

The State Bank of India is one of the major commercial banks having 30 Regional Rural Banks in India across 13 states. Apart from the SBI, several other banks are also functioning as the promoter of rural development in India.

The other Regional Rural Banks in India and their major role in rural development can be summed-up as follows:

Haryana State Cooperative Apex Bank Limited

The main purpose of this bank is to financially assist the artisans in the rural areas, farmers and agrarian unskilled labor, and the small rural entrepreneurs of Haryana.

Haryana State Cooperative Apex Bank Limited generally referred as the HARCOBANK, is one of the apex organizations in the state of Haryana. The HARCOBANK holds a special economic position in the state of Haryana and offers several types of financial assistances to the individuals. The financial aids include credit for the promotion of agriculture, non-agrarian credit, and bank deposit facilities. The HARCOBANK has also been functioning as an investor for more than three decades.

National Bank for Agriculture and Rural Development

National Bank for Agriculture and Rural Development (NABARD) was established as the premiere rural development bank with the main purpose of providing credit for the development and publicity of small scale industries, handicrafts, rural crafts, village industries, cottage industries, agriculture and many more. The NABARD also supports all other related economic operations in the rural sector for the promotion of sustainable growth in the rural sector. The NABARD also plays the role of a contributor to the rural development by promoting institutional development, facilitating refinance to loan providers in the rural sector, inspection, monitoring, and evaluation of client financial corporations.

Sindhanur Urban Souharda Co-operative Bank

The main purpose of the Sindhanur Urban Souharda Co-operative Bank more commonly known as the SUCO Bank is to provide financial support to the rural sector.

United Bank of India

The role played by the United Bank of India (UBI) as one of the regional rural banks is phenomenal and it has propagated the network of branches to actively take part in the rural improvement and development.

Syndicate Bank

The Syndicate Bank has its grass roots in the rural sector and it has performed actively in the development of the rural sector in India.

Regional Rural Banks in Tamil Nadu

Indian Bank has sponsored two Regional Rural Banks (RRBs) viz., Saptagiri Gramina Bank and Pallavan Grama Bank.

Pallavan Grama Bank with Head Quarters at Salem is operating in 14 districts of Tamilnadu viz., Salem, Namakkal, Krishnagiri, Dharmapuri, Villupuram, Cuddalore, Coimbatore, Karur, Erode, Nilgiris, Vellore, Tiruvannamalai, Kancheepuram and Tiruvallur. It has actively contributed to the growth of the rural sector.

Pandyam Grama Bank is another bank which operates for the development of rural sector.

The third RRB sponsored by Indian Bank is Pudukkottai Grama Bank at Union Territory of Puducherry with its head quarters at Pudukkottai.

Conclusion

Since cash flows for agriculture and savings in rural areas for the majority of households are small, the rural population need to rely on credit for other needs. The rural population need access to financial institutions that can provide them with credit at lower rates and at reasonable terms which would prevent them from debt-traps that are common in rural India. Banks can achieve commercial success and helps in societal improvement if it conceives the products and services keeping these segments in mind. Banks must also take adequate steps to strengthen their credit delivery systems for Rural India.

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