



## THE ROLE AND RESPONSIBILITIES OF REGIONAL RURAL BANKS FOR DEVELOPMENT IN INDIA

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### ABSTRACT

*The RRBs were established "with a view to developing the rural economy by provide, for the reason of development of agricultural, trade, commerce, industry and other useful activities in the rural area, credit and other services, mainly to little and marginal farmers, agricultural laborers, artisans and small entrepreneurs, and for matter linked there with and incidental thereto". The establishment of Regional Rural Banks (RRBs) was formed to meet the surplus demand for institutional credit in the rural sector, mainly in the core of the economically and within people marginally sections. In order to provide access to low-costing banking services to the poor, the Narasimham Working Group (1975) planned the establishment of a latest set of banks, as institution which "join the local feel and familiarity with rural problems which the cooperative have and point of business organization, capability to organize deposits, access to central money markets and rationalized view which the commercial banks have". The multi-agency move toward to rural credit was also to sub provide the requirements of input-intensive agricultural policy (Green Revolution) which had firstly paying attention on 'betting on the strong' but by the mid-seventies was ready to spread more widely through the Indian countryside. In adding, the possible and the need for diversification of financial behavior in the rural areas had begin to be known, and this was a division where the RRBs could play a important role. In this paper we are going to talk about on the role of regional banks and their responsibilities towards rural development.*

**KEYWORDS** : Regional Rural Bank, Rural growth, Rural Economy, Agricultural policy, Farmers, Money Lenders etc.

### Introduction:

Rural growth has to play a unique role in the overall socio-economic development of a country like India, where the mass of the population lives in rural areas. The rural sector affects straight or indirectly approximately all the financial activities in the country and provides service to the most number of people. A huge part of the income of the government is also generating from the rural. The requirement of rural finance was felt to provide defense & reliance to rural people like moneylenders, landlords & trader etc. but they use farmers and small entrepreneurs by charging excessive rate of interest & force farmers to sell their product at low worth to them. Rural people, as well face the risk of irregular production of crops owing to high dependence on monsoon. Plus problem of finance they also go through from not contain of seed, fertilizers, water provide and other services which guide to rural in deftness'

The Regional Rural banks were established on October, 2<sup>nd</sup> 1975. The main objectives of these banks are to provide credit and other facilities mostly to small and marginal farmers, agricultural laborers, rural artisans and small entrepreneurs so as to expand agriculture, trade, trade, industry and other creative activities in rural areas. The aim of rural banks is to bridge the credit gap obtainable in the rural areas and they are hypothetical to be effective instrument of economic development in rural India. They will make bigger creative credit to the rural society and they have simply rural direction in their activity and in manner of extending their activity. The history of regional rural banks in India dates back to the year 1975. It's the Narsimham committee that conceptualized the basis of regional rural banks in India. The group felt the need of 'regionally oriented rural banks' that would address the problems and necessities of the rural public with local feel, so far with the same stage of professionalism of commercial banks. Five regional rural banks were put up on October 2<sup>nd</sup> with a total official capital of Rs 1 Crore, which later increased to Rs. 5 Crore. There were five commercial banks, viz, Punjab National Bank, State Bank of India, Syndicate Bank, United Bank of India and combined Commercial Bank, which sponsor the regional rural banks. The equities of rural banks were separated in a share of 50:35:15 between the Central Government, the support bank and the concerned State Government.

### OBJECTIVES OF THE STUDY:

- 1) To discuss the role of RRBs and their responsibilities towards rural development in India.
- 2) To understand the role RRBs for potential and the need for diversification of economic activities in the rural areas.
- 3) To study the phenomenal roles play in the overall socio-economic development in rural India.
- 4) To make summary of RRBs.

### RESEARCH METHODOLOGY:

The research paper is an attempt of explanatory research, based on the secondary data sourced from journals, magazines articles and media reports. Available secondary data was broadly used for the study. Looking into requirements of the objectives of the study the research design working for the study is of descriptive type.

### Role of Regional Rural Banking for Rural Development:

Regional Rural Banks be established with the subsequent responsibilities in mind:

- Taking the banking services to the approach of rural a lot, mainly in hitherto unbanked rural areas.
- Recognize the financial need particularly in rural areas.
- Making obtainable institutional credit to the weaker sector of the society who had by far small or no access to cheaper loans and had perforce been depending on the personal moneylenders.
- To enhance banking & finance services in backward or unbanked areas.
- Organize rural investments and channelize them for supporting industrious actions in rural areas.
- To provide finance to the weaker section of people like small farmers, rural artisans, small producer, rural laborers' etc.
- To create a supplementary channel for the flow the central money market to the rural areas through refinances.
- Generate employment opportunity in rural and bringing downward the cost of providing credit to rural areas.
- Enhance & get better banking facilities to semi urban, rural & other untapped market. With these objectives in mind, information of the local language by the staff is a significant criterion.

**Functions of RRBs:**

The Every RRB is official to carry on and carry out the business of banking as defined in the Banking Regulation Act and may as well connect in other business exacting in Section 6(1) of the said Act. In particular, a RRB is required to take on the business of:

- 1) Granting loans and advances to small and marginal farmers and agricultural laborers, whether individually or in groups, and to co-operative societies, including agricultural marketing societies, agricultural processing societies, co-operative farming societies, primary agricultural credit societies or farmers' service societies, primary agricultural purposes or agricultural operations or other related purposes, and
- 2) Granting loans and advances to artisans, small entrepreneurs and persons of small means engaged in trade, commerce, industry or other productive activities, within its area of operation.

The Reserve Bank of India has brought RRBs under the ambit of priority sector lending on par with the commercial banks. They have to ensure that forty percent of their advances are accounted for the priority sector. Within the 40% priority target, 25% should go to weaker section or 10% of their total advances to go to weaker section.

**Regional Rural Banks in India:**

The State Bank of India is one of the major commercial banks having regional rural banks. There are 30 Regional Rural Banks in India, under the State Bank of India and it is spread in 13 states across India. The figure of branches the SBI Regional Rural Banks is more than 2000.

**Some other banks, apart from the State Bank of India too functions as the promoter of rural development in India.****The other Regional Rural Banks in India are:****Haryana State Cooperative Apex Bank Limited:**

The main purpose of the Haryana State Cooperative Apex Limited 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 also 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. The Haryana State Cooperative Apex Bank Limited offers several types of financial assistances to the individuals. The financial aids include credit for the promotion of agricultural, non-agrarian credit, and bank deposit facilities. The HARCObANK have been functioning as an investor for more than three decades.

**National Bank for Agriculture and Rural Development**

The key reason of the National Bank for Agriculture and Rural Development is to give credit for the development and promotion of small scale industries, handicrafts, rural craft, village industries, cottage industry, farming, etc. The NABARD also supports all other connected economic operation in the rural sector, promotion of sustainable growth in the rural sector. The NABARD plays the roles of a giver to the rural development by the means of promote institutional development, facilitating refinance to loan providers in the rural sector, inspection, monitoring, and assessment of client financial corporation. National Bank for Agriculture and Rural Development (NABARD) was established as the premiere rural development bank.

**United Bank of India:**

The role play by the United Bank of India (UBI) as one of the regional rural bank is phenomenal. The UBI has propagated the network of branches in order to dynamically take part in the rural development and growth.

**Allahabad Bank:**

The Allahabad Bank has its grass roots in the rural sector. The

development of Allahabad Bank was in accordance of the development of the banking sector in India. The Syndicate Bank has performed actively in the development of rural sector in India. The Regional Rural Banks in India has actively contributed to the growth of the rural sector. The growth of the rural industries in India and the development of the business and economy have been dependent largely on the investment and financial aids provided by the Regional Rural Banks.

**Regional Rural Banks in Uttar Pradesh:**

Allahabad UP Gramin Bank, Gramin Bank of Aryavart, Ballia-Etawah Gramin Bank, Baroda Uttar Pradesh Gramin Bank, Kashi Gomti Samyut Gramin Bank, Purvanchal Bank, Prathama Bank, Kshetriya Kisan Gramin Bank

**Sarva UP Gramin Bank with Head Quarters at Meerut** is operating in 14 districts of Uttar Pradesh viz, Meerut, Ghaziabad, Bulandshahr, GautmBuddhaNagar, Bijnor, Gonda, Balrampur, Budaun, Haridwar, Bagpat, Saharanpur, Jhansi, Lalitpur, Muzaffarnagar,

**Conclusion:**

The Banks need to support the agriculture area by providing big amount of term loans. Generally, non-agricultural area finally helps the economy in a lot of way. Keeping in sight, the RRBs may improve the proportion of loan to this division. This result may be significant use to rural banking institutions and strategy maker in developing and determining the suitable credit arrangement as RRBs are essential part of the rural credit structure in India. The significance of the rural banking in the economic growth of the country cannot be overlooked. As and village economy is the backbone of Indian economy. Lacking the development of rural economy, the objectives of economic preparation cannot be achieved therefore; banks and other financial institutions are measured to be an essential role for the development of the rural economy in India. The major goal of establish Regional Rural Banks in India is to give credit to the rural people who are not economically physically powerful enough, particularly the small and marginal farmers, artisans, agricultural labourers and even small entrepreneurs.

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