



Role of Regional Rural Banks in Rural Development

KEYWORDS

Need for RRBs, Key performance Indicators.

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ABSTRACT Commercial Banks are urban oriented before 1970 the existing credit agencies such as Co-operative Banks, Commercial Banks were not conducive to the satisfaction of the credit needs of the rural population and weaker sections. In 1975 the Government of India appointed a working group under the Chairmanship of M. Narasimhan to study the problem of rural credit and dividing alternative agencies to provide institutional credit to the rural people under 20 point programme. The working group identified various weaknesses of existing credit agencies and recommended a new type of institutions i.e. establishment of Regional Rural Banks, RRBs extend loans only to small and marginal farmers, landless labourers, small artisans and small entrepreneurs in rural areas.

INTRODUCTION:

Regional Rural Banks were established under the provisions of an ordinance promulgated on the 26th September 1975 and the RRB Act, 1976 with an objective to ensure sufficient institutional credit for agricultural and other rural sectors. The RRBs mobilize financial resources from rural/semi urban areas and grant loans and advances mostly to small and marginal farmers, agricultural labourers and rural artisans. The area of operation of RRBs is limited to the area as notified by GOI covering one or more distinct in the state.

MEANING AND CONCEPT OF RRBs:

On 1st July, 1975 Mrs. Indira Gandhi announced a 20 point economic programme for the country one of the points of this programme was the provision of cheap credit to marginal farmers, artisans and landless labourers in rural areas. To implement this point, the Govt. of India decided to setup Regional Rural Banks (whose establishment was recommended by the banking commission and the working group on Rural Banks) all over the country. Accordingly, the Regional Rural Banks came in to existence on 2nd October 1975.

Regional Rural Banks or rural banks are banks, sponsored by Commercial Banks, mostly public sector banks, engaged in the granting of direct loans and advances to small and marginal farmers, rural artisans landless labourers and other weaker sections in rural areas for productive purposes at lower rates of interest.

NEED FOR REGIONAL RURAL BANKS:

Co-operative credit societies and commercial banks exist in rural areas to cater to the credit requirements of the ru-

ral areas. But these two institutional agencies suffer from certain limitations. The co-operative credit societies have wide coverage (i.e. Large in number) and rural orientation, but lack of financial strength and managerial ability. The commercial banks, on the other hand have financial strength and managerial competence, but lack wide coverage and rural orientation. Equity the credit requirements of the rural people especially small and marginal farmers, artisans and other weaker sections have not been adequately met. So, there has been great need for an institutional credit agency which can combine the strong points of both the co-operative credit societies and the commercial banks and meet the credit needs of the small and marginal farmers, rural artisans and other weaker sections of the rural society adequately it is to meet the need for such an institutional credit agency that the Regional Rural Banks have been started.

OBJECTIVES OF THE STUDY:

The objectives of the study are as follows:

- 1) To study the working of RRBs.
- 2) To study the recent development in RRB in Rural Development.

ACHIEVEMENTS OF RRBs.:

- Total Deposits aggregated to Rs. 2,11,458 Crore..
- The number of Branches of RRBS increased to 17856.
- Loans issued under agricultural amounted to Rs 64903 Crore.

KEY PERFORMANCE INDICATORS:

Parameters	2010-11	2011-12	2012-13	% of Growth
No. of RRBs	82.00	82.00	64.00	-
No. of Branches	16001.00	16909.00	17856.00	-
Districts covered by RRBs	620.00	638.00	635.00	
Staff	70153.00	74291.00	76118.00	2.46
Owned Fund	13838.92	16462.01	19303.86	17.26
Deposit	166232.34	186336.07	211457.80	13.48
Borrowings	26490.80	30288.84	38267.73	26.34
Investments	86510.44	95974.93	110683.47	15.33

Gross Loan (O/s)	98917.43	116384.97	139837.00	20.15
Loan issued	71724.19	82538.39	102161.71	23.77
CD Ratio	59.51	62.46	66.13	--
Accumulated Losses	1532.39	1332.57	1011.78	(-24.07)
Net NPA %	2.05	2.98	3.40	
Recovery %	81.18 (30.6.2010)	81.60 (30.6.2011)	81.32 (30.6.2012)	--
Branch Productivity	16.57	17.90	19.67	9.89
Staff Productivity	3.78	4.07	4.62	13.51

Source : www.rrbs.com

The following trends can be highlighted.

- The number of branches of all RRBs increased to 17856 as on 31st March 2013 as against 16909 as on 31st March 2012.
- The aggregate CDR of RRBs increased from 62.46% as on 31st March 2012 to 66.13% as on 31st March 2013.
- There has been marginal decrease in the recovery percentage over the years from 81.60% as on 30th June 2011 to 81.32% as on 30th June 2012.
- Net NPA increased to 3.40% [2.98% as on 31st March 2012.]
- Total loans issued by all RRBs increased to Rs. 102161.71 Crore from Rs. 82538.39 Crore as on 31st March 2012 registering a growth of 23.77%
- The average branch productivity (Business per Branch) of all 64 RRBs stood at Rs. 19.69 Crore in the year 2012-13 as against Rs. 17.90 Crores in March 2012.
- Average staff productivity [Business Per Staff] of all RRBs was Rs. 4.62 Crore during 2012-13 as against Rs.4.07 Crore in March 2012.
- There has been an increase in the total number of staff members.

CONCLUSION:

Regional Rural Banks extend loans only to small and marginal farmers, agricultural labourers, artisans and small entrepreneurs so as to develop agriculture, trade, commerce, industry and other productive activities in the rural areas.