



THE ROLE OF REGIONAL RURAL BANKS FOR RURAL DEVELOPMENT IN INDIA

KEYWORDS

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Mrs. N.Santhi

Research Scholar, Thiruvalluvar Govt Arts College,
Rasipuram, Namakkal Dt

Dr.T.R.Ganesan

Research Guide and Princial, Thiruvalluvar Govt Arts
College, Rasipuram, Namakkal Dt

ABSTRACT

The RRBs were established "with a view to developing the rural economy by providing, for the purpose of development of agriculture, trade, commerce, industry and other productive activities in the rural areas, credit and other facilities, particularly to small and marginal farmers, agricultural laborers', artisans and small entrepreneurs, and for matters connected therewith and incidental thereto". The institution of Regional Rural Banks (RRBs) was created to meet the excess demand for institutional credit in the rural areas, particularly among the economically and socially marginalized sections. In order to provide access to low-cost banking facilities to the poor, the Narasimham Working Group (1975) proposed the establishment of a new set of banks, as institutions which "combine the local feel and the familiarity with rural problems which the cooperatives possess and the degree of business organization, ability to mobilize deposits, access to central money markets and modernized outlook which the commercial banks have". The multi-agency approach to rural credit was also to sub serve the needs of the input-intensive agricultural strategy (Green Revolution) which had initially focused on 'betting on the strong' but by the midseventies was ready to spread more widely through the Indian countryside. In addition, the potential and the need for diversification of economic activities in the rural areas had begun to be recognized, and this was a sector where the RRBs could play a meaningful role. In this paper we are going to discuss on the role of regional rural banks and their responsibilities towards rural development.

INTRODUCTION

Rural development has to play a phenomenal role in the overall socio-economic development of a country like India, where the majority of the population lives in rural areas. The rural sector affects directly or indirectly almost all the economic activities in the country and provides employment to the maximum number of people. A large part of the revenue of the government is also generated from the rural. The necessity of rural finance was felt to provide protection & reliance to rural people like moneylenders, landlords & traders etc. but they exploit farmers and small entrepreneurs by charging exorbitant rate of interest & force farmers to sell their product at low price to them. Rural people also face the risk of unpredictable production of crops due to high dependency on monsoon. Including problem of finance they also suffer from lack of seeds, fertilizers, water supply and other facilities which lead to rural in deftness'.

The Regional Rural banks were established on October, 2nd 1975. The main objectives of these banks are to provide credit and other facilities particularly to small and marginal farmers, agricultural laborers', rural artisans and small entrepreneurs so as to develop agriculture, trade, commerce, industry and other productive activities in rural areas. The aim of rural banks is to bridge the credit gaps existing in the rural areas and they are supposed to be effective instruments of economic development in rural India. They will extend productive credit to the rural community and they will have purely rural orientation in their activity and in the 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 foundation of regional rural banks in India. The committee felt the need of 'regionally oriented rural banks' that would address the problems and requirements of the rural people with local feel, yet with the same level of professionalism of commercial banks. Five regional rural banks

were set up on October 2nd with a total authorized capital of Rs. 1 Crore, which later augmented to Rs. 5 Crore. There were five commercial banks, viz. Punjab National Bank, State Bank of India, Syndicate Bank, United Bank of India and United Commercial Bank, which sponsored the regional rural banks. The equities of rural banks were divided in a proportion of 50:35:15 among the Central Government, the Sponsor bank and the concerned State Government.

ROLE OF REGIONAL RURAL BANKING CONCERS FOR RURAL DEVELOPMENT

Regional Rural Banks were established with the following responsibilities in mind:

- Taking the banking services to the doorstep of rural masses, particularly in hitherto unbanked rural areas.
- Identify the financial need specially in rural areas.
- Making available institutional credit to the weaker section of the society who had by far little or no access to cheaper loans and had perforce been depending on the private money lenders.
- To enhance banking & financing facilities in backward or unbanked areas.
- Mobilize rural savings and channelize them for supporting productive activities in rural areas.
- To provide finance to the weaker sections of society 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.
- To provide finance to co-operative societies, Primary Credit societies, Agricultural marketing societies.
- Generating employment opportunities in rural areas and bringing down the cost of providing credit to rural areas.
- Enhance & improve banking facilities to semi urban,

rural & other untapped market. With these objectives in mind, knowledge of the local language by the staff is an important qualification

FUNCTIONS OF RRB

Every RRB is authorized to carry on to transact the business of banking as defined in the Banking Regulation Act and may also engage in other business specified in Section 6 (1) of the said Act. In particular, a RRB is required to undertake the business of

(a) Granting loans and advances to small and marginal farmers and agricultural laborers, whether individually or in groups, and to cooperative societies, including agricultural marketing societies, agricultural processing societies, cooperative farming societies, primary agricultural credit societies or farmers' service societies, primary agricultural purposes or agricultural operations or other related purposes, and

(b) 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 RRB's 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 number of branches the SBI Regional Rural Banks is more than 2000.

Several other banks, apart from the State Bank of India also 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 Bank Limited 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 agriculture, 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 main purpose of the National Bank for Agriculture and Rural Development is to provide credit for the development and publicity of small scaled industries, handicrafts, rural crafts, village industries, cottage industries, agriculture, etc. The NABARD also supports all other related economic operations in the rural sector, promotion of sustainable growth in the rural sector. The NABARD also plays the role of a contributor to the rural development by the means of promoting institutional development, facilitating

refinance to loan providers in the rural sector, inspection, monitoring, and evaluation of client financial corporations. National Bank for Agriculture and Rural Development (NABARD) was established as the premiere rural development bank.

Sindhanur Urban Souharda Co-operative Bank

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

United Bank of India

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

Syndicate Bank

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

Regional Rural Banks in Tamil Nadu

Indian Bank has sponsored two Regional Rural Banks (RRBs) viz., Saptagiri Grammeena 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.

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

CONCLUSION

The banks need to encourage the agricultural sector by providing larger amount of term loans. Generally, non-agricultural sector indirectly helps the rural economy in many ways. Keeping in view, the RRBs may enhance the percentage of loan to this sector. This finding may be considerable use to rural banking institutions and policy makers in developing and shaping the appropriate credit structure as RRBs are integral part of the rural credit structure in India.

The importance of the rural banking in the economic development of a country cannot be overlooked. As Gandhiji said "real India lies in villages," and village economy is the backbone of Indian economy. Without the development of the rural economy, the objectives of economic planning cannot be achieved. Hence, banks and other financial institutions are considered to be a vital role for the development of the rural economy in India. The main goal of establishing Regional Rural Banks in India is to provide credit to the rural people who are not economically strong enough, especially the small and marginal farmers, artisans, agricultural laborers and even small entrepreneurs.

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