A STUDY ON ROLE OF “REGIONAL RURAL BANKS” IN THE GROWTH OF INDIAN ECONOMY

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ABSTRACT

Regional Rural Banks (RRBs): Regional Rural Banks are those banks which were established in 1975 under the provisions of the Ordinance promulgated on the 26th September 1975 and the Regional Rural Banks Act, 1976 with a view to develop the rural economy and to create a supplementary channel to the ‘Cooperative Credit Structure’ with a view to enlarge institutional credit for the rural and agriculture sector. The share capital of RRB is contributed by the Government of India, the concerned State Government and the sponsoring public sector banks in the ratio of 50%, 15% and 35% respectively. The area of operation of the RRBs is limited to notify few districts in a State. The RRBs mobilize deposits primarily from rural/semi-urban areas and provide loans and advances mostly to small and marginal farmers, agricultural laborers, rural artisans and other segments of priority sector. The Government of India initiated a process of structural consolidation of RRBs by amalgamating RRBs sponsored by the same bank within a State, with a view to provide better customer service by having better infrastructure, computerization, experienced work force, common publicity and marketing efforts etc. The amalgamated RRBs also benefit from larger area of operation, enhanced credit exposure limits for high value and diverse banking activities.

RRBs were also permitted to decide the need for conversion of the existing loss making branches into satellite / mobile offices keeping in view the cost-benefit aspect, the likely inconvenience that may be caused to the existing clientele, the effect of the conversion on the performance in the preparation of district credit plan and priority sector lending. With a view to providing better customer service in rural areas, RRBs may also convert their satellite offices into full-fledged branches after obtaining concurrence from their board and necessary license from the concerned Regional Office of RBI. As a result of the amalgamation, the number of the RRBs has been reduced from 196 to 82 as on 31 March 2011 and the number of branches of RRBs increased to 16698 in 2012.

In this circumstances it is felt that a study is required to analyze and how to improve further the services of Rural Bank in India.

Key words: Develop the rural Economy- Agricultural loans- more employment- Sanctioned of priority sector advances- more customer service in rural areas etc.

1. INTRODUCTION AND MEANING:

The RRB’s are the Scheduled Commercial Banks, having been included in the second scheduled to the RBI act, 1934, and therefore they enjoy the same privileges and facilities as the scheduled banks, including access to the central money market. A Regional Rural Bank carries on the regular business of banking as defined in section 5(b) of the banking regulation act, 1949. The main object of these banks is to develop the rural economy by providing credit and other facilities to small and marginal farmers, agricultural labourers, rural artisans, small entrepreneurs and persons of small means engaged in trade and other productive activities.
activities in their area of operations for the purpose of development of agriculture, trade, commerce, industry and other productive activities in rural areas.

II.OBJECTIVES OF THE STUDY:
The study defines the following objectives:

1. To study the important Role of Regional Rural Banks in the growth of Indian economy.
2. To analyze the Performance and Functions of Regional Rural Banks.
3. To analyze the developments in Regional Rural Banking in India.
4. To give suitable suggestions and recommendations, how to improve the services of the Regional Rural Banks further in India.

III. SCOPE OF THE STUDY:

This study is undertaken to analyze the drawback from their important functions of Regional Rural banks being rendered to the public at present. Here Rural Banks mean all the banks which are located the Rural and Villages. The total shares are wholly hold by Government. All Banks functioning as Regional Rural Banks are taken in to considerations for these studies. The recent performance of RRB’s have analyzed and bring out the drawbacks in the findings and recommendations chapters for providing the better services by RRB’S in our country.

IV. REVIEW OF LITERATURE-CASE STUDIES

In order to obtain conceptual knowledge about the subjects, the relevant literature consisting of text books, research articles and research studies were reviewed. Any study on a new subject always throws light on some existing new information. But it can be appreciated only when studies in consonance with the past knowledge is related with the contemporary new thinking in the subjects. So the existing studies provided the foundation for the study. The literature of the studies is vast and varied, so some of the important case studies have been presented below which are relevant to this study.

7. Commissioner of Taxation v. English Schotish and Australian Bank (1920) AC 683
8. Lloydes Bank Ltd v. E.B. Savory & Co (1933) AC 201

V. FUNCTIONS OF REGIONAL RURAL BANKS:

1. To provide cheap and liberal credit facilities to small and marginal farmers, agricultural laborers, artisans, small entrepreneurs and other weaker sections.
2. To save the rural poor from the money lenders.
3. To act as a catalyst element and thereby accelerate the economic growth in the particular region.
4. To cultivate the banking habits among the rural people and mobilize savings for the economic development of rural areas.
5. To increase employment opportunity by encouraging trade and commerce in rural areas.
6. To encourage entrepreneurship in rural areas.
7. To cater to the needs of the backward areas which are not covered by the other efforts of the Government.
8. To occupy an important position in the rural credit market.

9. To provide credit facilities for weaker and most backward section in the societies.

10. To provide the priority sector advances to rural and villagers.

VI. ROLE OF REGIONAL RURAL BANKS IN ECONOMIC GROWTH OF OUR COUNTRY:

1. Promoting Savings.
2. Mobilizing savings.
3. Allocating savings among alternative uses and users.
4. Promotion of trade, production.
5. Regional Rural banks are playing important role in financial and economic growth.
6. Trade development.
7. Agricultural development
8. Industrial development.
10. Transportation.
13. Construction.
15. High Employment rates.

VI. CONCLUSION:

The real growth of Indian Economy lies on the development of rural masses from poverty, unemployment and other socio economic backwardness. Keeping this as view RRB’s were established by the Government of India to expand the Rural economy. The RRB’S have been conceived to combine the strong points of both the cooperative and commercial banks eliminating the weakness of both. Thus, the RRB’S combine the local base and the rural touch of the co-operatives with the organizational; efficiency and financial strength of the commercial banking system. The area of operation is limited specified region comprising one or more districts in any state. The lending rates of these banks will not be higher than the lending rates of co-operative societies in any particular state.

It was envisaged that the establishment of RRB’s will help in providing employment to rural educated youths who possess the requisite orientation to look after the needs of the rural folk. The banks need to encourage the agricultural sector by providing more amounts of loans There is only possibility for upliftment of rural areas by opening many RRB’s to serve rural people in a better way to provide in respects of all Banking services and also the rules may be relaxed for easy availing of loans by rural citizens.

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