

## Role of Regional Rural Banks (RRBs) in the Economic Development of India

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### Abstract

Regional Rural Banks (RRBs) are those banks which were established in 1975 under the provisions of the Ordinance on the 26th September 1975 and the Regional Rural Banks Act, 1976 to develop the rural Indian economy and to develop 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 ration 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. Indian Government 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 get 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.

**Keywords:** Regional Rural Banks (RRBs), NABARD, RBI, Economic Development, Weaker Section of Rural Areas.

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## **1. INTRODUCTION**

The RRBs 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 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 laborers, rural artisans, small entrepreneurs and persons of small means engaged in trade and other productive activities in their area of operations for the purpose of development of agriculture, trade, commerce, industry and other productive activities in rural areas.

Banking sector constitutes the core part of economic system. Indian economy is majorly a agricultural economy and real India lie in villages.

Rural economy is the backbone of Indian economy. Even after 70 years of independence, the rural economy in India is still handicapped in terms of infrastructure and other chronic problems of cultivators.

In fact, economic progress and industrial development are determined by the rural sector. More than 70% of Indian people depends on agriculture; 60% of industries are agro based; 50% of national income is contributed by rural sector and the agricultural sector is the largest foreign exchange earner to India. Such an essential and key sector is neglected by financial institutions and especially by the banks.

Regional Rural Banks (RRBs) are constituted to meet the financial and banking needs of weaker sections of the rural areas with a special attention on small and marginal farmers, agricultural laborers', artisans, landless farmers, small traders, tiny enterprises etc. Hence, RRBs were established in India in 1975 essentially for the purpose of taking banking service to the doorsteps of rural people, particularly in places where banking facilities are not available. In general, RRBs are commercial banks but they adopt some of the principles of cooperatives such as location in areas, work for rural population in a limited area etc.

Thus, they are hybrid institutes. RRBs operate under the control of two institutions, the National Agricultural Bank and Rural Development (NABARD) and Reserve Bank of India (RBI). The primary objective of this study is to analyze the performance in terms of loans provided to the priority and non-priority sectors of the country and especially various types of loans such as crop loans, term loans, loans to rural artisans, retail trade, small scale industries and self - help groups etc.

## **2. 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.

### **3. 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 held 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 RRBs in our country.

### **4. 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.
9. Capital formation.
10. Transportation.
11. Safekeeping of valuables.
12. Better saving rates.
13. Construction.
14. Government Loans.
15. High Employment rates

### **5. FUNCTIONS OF REGIONAL RURAL BANKS**

- To provide cheap and liberal credit facilities to small and marginal farmers, agricultural labourers, artisans, small entrepreneurs and other weaker sections.
- To save the rural poor from the money lenders.
- To act as a catalyst element and thereby accelerate the economic growth in the particular region.
- To cultivate the banking habits among the rural people and mobilize savings for the economic development of rural areas.
- To increase employment opportunity by encouraging trade and commerce in rural areas.
- To encourage entrepreneurship in rural areas.
- To cater to the needs of the backward areas which are not covered by the Government.

### **6. LIST OF REGIONAL RURAL BANKS IN INDIA**

#### **Andhra Pradesh**

- Andhra Pragathi Grameena Bank
- Andhra Pradesh Grameena Vikas Bank
- Chaitanya Godavari Grameena Bank
- Saptagiri Grameena Bank

**Assam**

- Assam Gramin Vikash Bank
- Langpi Dehangi Rural Bank
- Arunachal Pradesh Rural Bank

**Bihar**

- Uttar Bihar Gramin Bank
- Madhya Bihar Gramin Bank
- Bihar Gramin Bank

**Chhattisgarh**

- Chhattisgarh Rajya Gramin Bank

**Gujarat**

- Dena Gujarat Gramin Bank
- Baroda Gujarat Gramin Bank
- Saurashtra Gramin Bank

**Haryana**

- Sarva Haryana Gramin Bank

**Himachal Pradesh**

- Himachal Pradesh Gramin Bank

**Jharkhand**

- Jharkhand Gramin Bank
- Vananchal Gramin Bank

**Jammu & Kashmir**

- Jammu And Kashmir Grameen Bank
- Ellaquai Dehati Bank

**Karnataka**

- Kaveri Grameena Bank
- Karnataka Vikas Grameena Bank
- Pragathi Krishna Gramin Bank

**Kerala**

- Kerala Gramin Bank

**Madhya Pradesh**

- Narmada Jhabua Gramin Bank
- Central Madhya Pradesh Gramin Bank
- Madhyanchal Gramin Bank

**Maharashtra**

- Maharashtra Gramin Bank
- Vidarbha Kokan Gramin Bank

**Manipur**

- Manipur Rural Bank

**Meghalaya**

- Meghalaya Rural Bank



**Mizoram**

- Mizoram Rural Bank

**Nagaland**

- Nagaland Rural Bank

**Odisha**

- Odisha Gramya Bank
- Utkal Grameen Bank

**Punjab**

- Punjab Gramin Bank
- Malwa Gramin Bank
- Sutlej Gramin Bank

**Puducherry**

- Pudukkottai Grama Bank

**Rajasthan**

- Baroda Rajasthan Kshetriya Gramin Bank
- Marudhara Rajasthan Gramin Bank

**Tamil Nadu**

- Pandyan Grama Bank
- Pallavan Grama Bank

**Telangana**

- Telangana Grameena Bank

**Tripur**

- Tripura Gramin Bank

**Uttar Pradesh**

- Sarva UP Gramin Bank
- Prathama Bank
- Allahabad UP Gramin Bank
- Baroda UP Gramin Bank
- Gramin Bank Of Aryavrat
- Kashi Gonti Samyukt Gramin Bank
- Purvanchal Bank

**Uttarakhand**

- Uttarakhand Gramin Bank

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

## 8. 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 RRBs were established by the Government of India to expand the rural economy. The RRBs have been conceived to combine the strong points of both the co-operative and commercial banks eliminating the weakness of both. Thus, the RRBs 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 RRBs 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 RRBs 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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