



Regional rural banks catalyst of agricultural development

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Abstract: The management of RRBs is at present vested in the nine-member Board of Directors, headed by a Chairman, who is appointed by the Central government. The Central government and the Lead bank nominate not more than two members whereas the State government nominates not more than two members on the board. The Central government nominates one of its officers as nominee of the government of India on the Board of each RRB. Keeping in line with the commitment of the government to uplift the rural poor, the banks came into existence to contribute their share in the achievement of the desired goals by providing financial assistance aimed at generating income and thereby raising the people above the poverty line. In its journey to embrace the entire country, the RRB network has slowly but steadily extended its activities.

Keywords: financial assistance, Regional Rural Banks, NABARD

INTRODUCTION

The Banking Commission (1972) made the recommendation that a chain of rural banks should be established in addition to the regular branches of commercial banks already operating or to be opened in rural areas. In this context, a "Working Group on Rural Banks" was set up under the chairmanship of Mr. M.Narasimham, to study the possibilities of establishing such banks. Acting upon the recommendations, the late Prime Minister India Gandhi announced the economic programmer on 6 September 1975, and the first five Regional Rural Banks (RRBs) were set up on 2 October 1975 with the following objectives:

- To develop rural economy
- To provide credit for agriculture and allied activities, particularly to small and marginal farmers;
- To encourage village industries, artisans, blacksmiths ,carpenters, etc:
- To reduce dependence of rural people on money-
- To fill up the gap created by moratorium on borrow
- To reach those far-tlung areas, particularly back-lender sing from money-lenders; ward and tribal areas, and to make these areas economically better by opening branches.

BANKING STRUCTURE



The authorized capital of each regional rural bank is one core rupees, divided into one lakh of fully paid-up shares of one hundred rupees each. The issued capital is Rs. 25 lakh of which 50 per cent is subscribed by the central government, 15 per cent by the state government con-corned and the remaining 35 per cent by the sponsor bank (lead bank).with effect from July 1984, the national bank for agriculture and rural development (NABARD) has provided refinance facilities to RRBs to meet their disbursements. As recommended by the working group on RRBS, the govt. of India approved enhancement and issued share capital of 73 RRBs from Rs. 50 lakh to Rs. 75 lakh and of 20 other RRBs from 75 lakh to Rs. one core each during 1992-93.

PROGRAMMES OF RRBs

The activities of Regional Rural Banks comprise the following

- To receive the current deposits, savings bank deposes- its etc from rural areas.
- To provide financial assistance to the priority section.
- To extend necessary banking facilities to remote areas.
- To act as a vital instrument in the implementation of government-sponsored schemes for rural development.
- To adopt villages in the areas of operation and bring about overall economic development of such villages.

At the end of 1975, the number of RRBs were six with 17 branches, whereas in 1993, the number of RRBs in-c-reased to 1,976 with 14,543 branches.

RRB'S ADMINISTRATIVE

The management of RRBs is at present vested in the nine-member Board of Directors, headed by a Chairman, who is appointed by the Central government. The Central government and the Lead bank nominate not more than two members whereas the State government nominates not more than two members on the board. The Central government nominates one of its officers as nominee of the government of India on the Board of each RRB.

ROLE OF LEAD BANK

- The Lead bank has to aid and assist the RRB in all respects. It has to subscribe to the share capital of RRBs.
- It has to incur initial expenditure for the setting up of RRB and its head office.
- The Lead bank has to depute its staff to open branches of RRBs in the initial period for easy operation.
- It has to depute its own staff to act as Chairmen in the initial period of functioning of RRBs. Recruitment of RRBs' staff and their training should undertaken by the Lead bank during the initial functioning of RRBs.
- It has to suggest official and non-official nominees for inclusion on the Board of RRBs.
- The Lead bank has to administer the RRBs in all respects. Suring the deposits



INAURING THE DEPOSITES

All Regional Rural Banks are registered as insured bank the Deposit Insurance Corporation. All deposits up to Rs. 30.000 per deposit in the same right and capacity inch and are accordingly with the Deposit Insurance Coronations. of India, thus providing protection to depositors.

TRAINING FACILITIES: It has been decided that the recruitment of managerial, supervisory and clerical staff of RRBs should be from with-in the area of operation of each bank concerned on the Scales of pay and allowances as are applicable to the employees of the State government concerned. Help is give In to the RRBs to undertake the task of providing training to the Chairmen and branch managers of the RRBs to be conducted at the College of Agricultural Banking, Pune. The training of accountants, field officers and clerks will be conducted at the training centers of respective Lead banks under the overall supervision of the College to Agricultural Banking.

NABARD FOR IMPROVING THE EFFICIENCY: Regional Rural Banks are provided refinance facilities on a composite basis with effect from July 1984. NABARD has revised its refinance policy whereby RRBs, which have completed five years of operation, will be provided two separate refinance limits for short term and medium-term lending s. All RRBs, irrespective of their age, are eligible for refinance under section 21 of the NABARD Act for short-term credit limit whereas, medium-term credit limit was sanctioned under section 24 of the NABARD Act. The short-term and medium-term credit limit is sanctioned for a period of one year and is repayable to RRBs at three percent below the bank

PROGRESS OF RRBS: October 2, 1975 shall always be reckoned with as an important landmark in the annals of banking history of India, when a new chapter was added in the form of establishment of five RRBs with an avowed objective to extend banking facilities to the far-flung rural areas inhabited by the weaker sections of the society including the Scheduled Castes and Scheduled Tribes. Keeping in line with the commitment of the government to uplift the rural poor, the banks came into existence to contribute their share in the achievement of the desired goals by providing financial assistance aimed at generating income and thereby raising the people above the poverty line. In its journey to embrace the entire country, the RRB network has slowly but steadily extended its activities.

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