



REVIEW ARTICLE

ROLE OF REGIONAL RURAL BANKS FOR AGRICULTURAL DEVELOPMENT: A REVIEW

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ABSTRACT

The focus on this paper is to represent various schemes approved for development of agriculture by RBI and RRBs. Number of RRBs is running across India to fulfill this target. The scope of this paper is around RRB running in India especially in Himachal Pradesh (Himachal Pradesh Gramin bank). This paper includes the architecture of Credit system in India and performance charts of Himachal Pradesh Gramin bank during 2016-2017.

INTRODUCTION

Regional Rural Banks have been in existence for around three decades in the Indian financial scenario. Inception of regional rural banks (RRBs) can be seen as a unique experiment as well as experience in improving the efficacy of rural credit delivery mechanism in India. With joint share holding by Central Government, the concerned State Government and the sponsoring bank, an effort was made to integrate commercial banking within the broad policy thrust towards social banking keeping in view the local peculiarities. The Genesis of the Regional Rural Banks can be traced to the need for a stronger institutional arrangement for providing rural credit. The Narasimhan committee conceptualized the creation of RRBs in 1975 as a new set of regionally oriented rural banks, which would combine the local feel and familiarity of rural problems characteristic of cooperatives with the professionalism and large resource base of commercial banks. Subsequently, the RRBs were set up through the promulgation of RRB Act of 1976. Their equity is held by the Central Government, concerned State Government and the Sponsor Bank in the proportion of 50:15:35. RRBs were supposed to evolve as specialized rural financial institutions for developing the rural economy by providing credit to small and marginal farmers, agricultural laborers, artisans and small entrepreneurs. Regional Rural Banks were established under the provisions of an Ordinance passed on September 1975 and the RRB Act 1976, to provide sufficient banking and credit facility for agriculture and other rural sectors.

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These were set up on the recommendations of the Narasimhan Working Group during the tenure of Indira Gandhi's government with a view to include rural areas into economic mainstream. Since that time about 70% of the Indian Population was of Rural Orientation. The development process of RRBs started on 2 October 1975 with the forming of the first RRB, the Prathama Bank. Also on 2 October 1976 five regional rural banks were set up with a total authorized capital of Rs. 100 crore (\$10 Million) which later augmented to 500 crore (\$50 Million). The Regional Rural Bank was owned by the Central Government, the State Government and the Sponsor Bank. There were five commercial banks, Punjab National Bank, State Bank of India, Syndicate Bank, United Bank of India and United Commercial Bank, which sponsored the regional rural banks who held shares in the ratios as follows: Central Government-50%, State Government- 15% and Sponsor Banks- 35%. Earlier, the Reserve Bank of India had laid down ceilings on the rate of interest to be charged by these RRBs. Regional Rural Banks are local level banking organizations operating in different States of India. They have been created with a view to serve primarily the rural areas of India with basic banking and financial services. However, RRB's may have branches set up for urban operations and their area of operation may include urban areas too. The area of operation of RRBs is limited to the area as notified by Government of India covering one or more districts in the State. RRB's also perform a variety of different functions. RRB's perform various functions under following heads -- providing banking facilities to rural and Semi-Urban areas. Carrying out government operations like disbursement of wages of MGNREGA workers, Distribution of Pensions etc.

Providing Para-Banking facilities like Locker facilities, Debit and Credit cards.

Objective of RRBS

- To provide cheap and liberal credit facilities to small and marginal farmers, agriculture laborers, artisans, small entrepreneurs and other weaker sections.
- To save the rural poor from the moneylenders.
- 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 opportunities 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 other efforts of the Government?
- To develop underdeveloped regions and thereby strive to remove economic disparity between region.

Special Facilities given by RBI and other institution to RRBS

With a view to facilities RRBS operation, the RBI gave RRBS direct access to refinance assistance at a concessional rate of three percent below the bank rate.

- Allowed to maintain a lower level of SLR than commercial banks.
- Allowed to pay half percent more interest on all deposits accepts those of three years and above.
- Sponsor banks IDBI, NABARD, SIDBI and other FIs are statutory required under the RRBS.

List of Regional Rural bank in India

1. Allahabad UP Gramin Bank
2. Andhra Pradesh GrameenaVikas Bank
3. Andhra PragathiGrameena Bank
4. Arunachal Pradesh Rural Bank
5. Gramin Bank of Aryavart
6. Assam GraminVikash Bank
7. Baitarani Gramya Bank
8. BangiyaGraminVikash Bank
9. Baroda Gujarat Gramin Bank
10. Baroda Rajasthan KshetriyaGramin Bank
11. Baroda Uttar Pradesh Gramin Bank
12. Bihar Gramin Bank
13. Chaitanya Godavari Grameena Bank
14. Chhattisgarh Gramin Bank
15. TelanganaGrameena Bank
16. Dena Gujarat Gramin Bank
17. Durg-RajnandgaonGramin Bank
18. EllaquaiDehati Bank
19. Sarva Haryana Gramin Bank
20. Himachal Gramin
21. JhabuaDharKshetriyaGramin Bank
22. Jharkhand Gramin Bank
23. JK Gramin Bank
24. KalingaGramya Bank
25. Karnataka VikasGrameena Bank
26. KashiGomtiSamyutGramin Bank
27. KaveriGrameena Bank

28. Kerala Gramin Bank
29. LangpiDehangi Rural Bank
30. Madhumalti Building GupteMarg (I)
29. Krishna Grameena Bank
31. Madhya Bihar Gramin Bank
32. MahakaushalKshetriyaGramin Bank
33. Maharashtra Gramin Bank
34. MalwaGraminBank
35. Manipur Rural Bank
36. MarudharaGramin Bank
37. Meghalaya Rural Bank
38. MewarAnchalikGramin Bank
39. Mizoram Rural Bank
40. Nagaland Rural Bank
41. Narmada JhabwaGramin Bank
42. NeelachalGramya Bank
43. PallavanGrama Bank
44. PandyanGrama Bank
45. ParvatiyaGramin Bank
46. PaschimBangaGramin Bank
47. PragathiGramin Bank; after amalgamation on 23 August 2013 the bank became Pragathi Krishna Gramin Bank
48. Prathama Bank
49. PuduvaiBharahiarGrama Bank
50. Punjab Gramin Bank
51. Purvanchal Bank merged with BalliaEtawaGramin Bank on 1 July 2013.
52. RushikulyaGramya Bank
53. SaptagiriGrameena Bank
54. Sarva Haryana Gramin Bank
55. Sarva UP Gramin Bank
56. Satpura Narmada Kshetriya
57. SaurashtraGramin Bank
58. MandhyanchalGrameen Bank
59. SurgujaKshetriyaGramin Bank
60. Sutlej KshetriyaGramin Bank
61. Tripura Gramin Bank
62. UtkalGrameen Bank
63. Uttar BangaKshetriyaGramin Bank
64. Uttar Bihar Gramin Bank
65. UttarakhandGramin Bank
66. VananchalGramin Bank
67. VidharbhaKshetriyaGramin Bank
68. Wainganga Krishna Gramin Bank

Currently, RRB's are going through a process of Amalgamation and Consolidation. 25 RRBs have been amalgamated in January 2013 into 10 RRBs. This counts 67 RRBs till the first week of June 2013. This counts 56 as of March 2015. On 31 March 2006, there were 133 RRBs (post-merger) covering 525 districts with a network of 14,494 branches. All RRBs were originally conceived as Low Cost Institutions having a Rural Ethos, Local Feel and Pro Poor Focus. However, within a very short time, most banks were making losses. The original assumptions as to the low cost nature of these institutions were belied. This may be again amalgamated in near future. At present there are 56 RRBs in India.

Agriculture credit system in India

"Agriculture is the backbone of the Indian Economy"- Mahatma Gandhi : Money lenders in India are as old as its villages, agricultural credit cooperatives go back a century,

commercial banks have been involved in agricultural loans for nearly 50 years, the regional rural bank network is over 38 years old, and reforms in the banking system were triggered a decade back. Yet, credit flow to small farmers has remained far below needs, both for crop cultivation and for long term requirements such as land development, Irrigation and farm equipment as compared to the potential demand. The wide spread discontent among farmers has The structure of agricultural credit system in India shows in exhibit, which is self explanatory.

different approved schemes of the Bank. Himachal Pradesh Gramin Bank is sincerely working to fulfill its obligations.

Table 1. Performance Comparison of Himachal Gramin Bank in 2016 & 2017

PERFORMANCE HIGHLIGHTS Amount in (Crores)		
	30 th June 2016.	31st March 2017.
No. of districts covered	12	12
No. of branches	237	263
• Rural	227	253
• Semi Urban	9	9
• Urban	1	1
Deposits	3374.03	4056.54
Borrowings	455.46	334.17
Gross Loans & Advances	1190.88	1386.49
C D Ratio	35.30%	34.18%
Average Capital	15.44	15.44
Productivity		
• Per Branch	19.26	20.70
• Per Staff	5.89	7.59

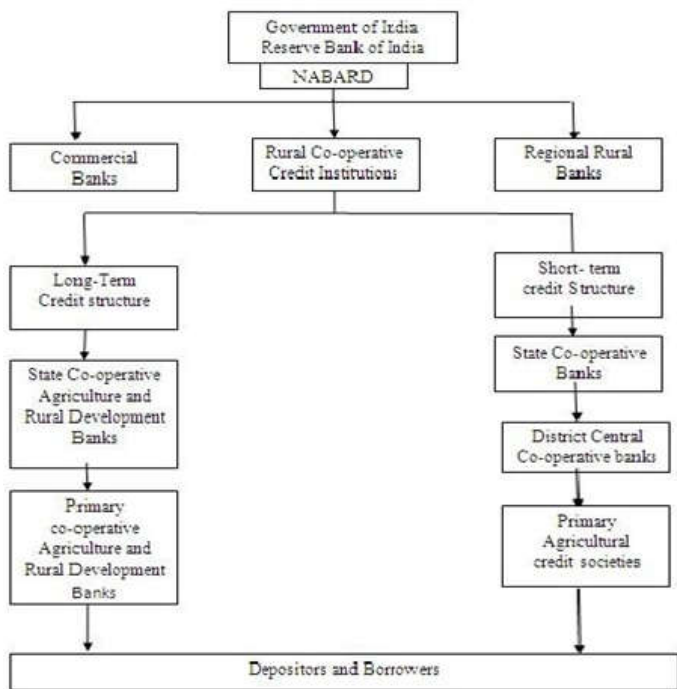


Fig. 1. Agriculture credit System in India

Rural Banks in Himachal Pradesh

Himachal Pradesh Gramin Bank, sponsored by Punjab National Bank came into existence with the amalgamation of two RRBs, viz. Himachal Gramin Bank, Mandi (sponsored by Punjab National Bank) and Parvatiya Gramin Bank, Chamba (sponsored by State Bank of India) vide Government of India Notification dated 15th February 2013 under section 21 of the RRBs Act, 1976 with its Head Office at Mandi.

The area of operation of the Bank is spread over to 12 districts of Himachal Pradesh. The Bank is authorized to affect banking transactions as permitted under section 5(b) of Banking Regulation Act, 1949. Presently, Bank is functioning with a network of 263 branches in twelve districts, namely, Mandi, Kangra, Kullu, Hamirpur, Bilaspur, Una, Shimla, Solan, Sirmour, Kinnaur, Lahul-Spiti and Chamba. There are Four Regional Offices, Dharamsala, Mandi, Solan and Chamba. The prime objective of establishment of the Bank is to provide basic banking facilities to the remote rural sectors and to provide the facility to rural masses to deposit their savings in a secured manner. Another important responsibility entrusted to the Bank was to provide productive credit, viz. Agriculture, Cottage and Small Industries, retail trade, dairy development and other related allied activities. Bank allowed financing for house, education, transport and consumer loans to public under

Schemes issued by himachal gramin bank for agriculture

Deposit Scheme

- Saving Fund Scheme.
- Recurring Deposit Scheme.
- Fixed Deposit Scheme.
- Multi Benefit & Old age Scheme (MBOAD) – Re-investment Plan.
- Special Fixed Deposit Scheme.
- Vishesh Jama Yojanayen. Uttam Saral Jama Yojana.
- Anokhi Jama Yojana. Kuber Jama Yojana.
- New Product for Students. HGB Vidyarthi Saving Fund Account Scheme.
- No Frill Account – Zero Balance/Zero Charges Saving Fund Account.
- Tax Saver Scheme – HGB Tax Saver Fixed Deposit Scheme

Loan Schemes

Farm Sector

- Scheme for Financing Farmers for Purchase of Truck and Other Transport Vehicles.
- Financing Farm Mechanization – Tractor, Power Tiller, Thresher / Sprayer Etc.
- Scheme For Financing of Installation Of Ropeways (Wire-Span) For Transportation of Apple Boxes, Other Fruits, Vegetable And Agri- Produce. (Under Non-Farm Sector)
- Scheme for Financing Dairy Projects.
- Scheme for Financing Piggeries, Sheep and Goat Breeding and Rearing.
- Scheme for Financing Minor Irrigation. [7]
- Scheme for Production Credit To Agriculturist For Cultivation of Crops (Crop Loan).
- Scheme for Financing Agriculture (Bee Keeping).
- Scheme for Financing Fisheries Development.
- Scheme for Financing Poultry Farming.
- Scheme for Financing Floriculture-Cultivation Of Galdiolus.

- Scheme for Development of Cultivation of White Button Mushroom.
- Scheme for Financing Pack Animal- Mule- Donkeys.
- Scheme for Horticulture Development – Plantation of Apple, Citrus,
- Stone Fruit, Mango & Litchi.
- Scheme for Financing Breeding of Rabbits for Meat / Fur / Wool.
- Scheme for Financing Kitchen Garden.
- HgbKisanVahanYojna- Two Wheeler/Four Wheeler.
- Rain Water Harvesting Scheme for Sc/St.
- Agri-Clinic and Agri- Business Center Scheme.
- Scheme for Financing Farmer for Purchase of Land for Agriculture Purpose

Retail Banking Sector

- Scheme for Advances for Taxi Car /Jeeps, Three Wheeler, Tempos, Etc.
- Financing of Road Transport Operators Light/ Medium / Heavy Weight Vehicles.
- Scheme For Advances To Self Employed Persons Engaged In Small Business.
- Scheme for Advances for Retail Trade.
- Scheme for Loans to Finance Purchase of Consumer Durables and Vehicles (Car /Scooter/ Motor Cycle/ Bicycle/Moped- For Public).
- Scheme for Financing Professionals and Self-Employed Persons for Setting up Practice.
- Education Loan.
- Housing Loan Scheme for Public.
- Financing For Rural Tourism.
- Financing Rural Sales Outlets for Petro Products- KisanSevaKendras.
- Bank Finance for Provision of Sanitation Facility in Rural Area –Modal Scheme.
- Scheme for Finance against Mortgage of Immovable Property.
- Super Trade Scheme for Financing Traders & Service Sector.

Small scale Industries

- Scheme for Financing of Hotel and Guesthouses.
- Scheme for Financing of Small Scale Industrial Units.
- Scheme for Financing to Tiny, SSI & Medium Enterprises.

Special Credit Schemes

- Kisan Credit Card Schemes.
- HgbSwarojgar Credit Card Schemes.

- Financing SHGS.
- Swarnjayanti Gram SwarozogorYojna (SJSY).
- Personal Loan Scheme.
- Retd. Defence Pension Loan Scheme.
- Capital Investment Subsidy Scheme for Construction/ Renovation/Expansion of Rural Go down.
- Scheme for Advance against Bank Deposits.
- General Credit

Conclusion

The overall conclusion is that there are 69 rural banks are working under RBI across India from which two rural banks are working in Himachal Pradesh .The number of schemes provided for agriculture are mention in paper above. More over the main focus of paper is given to Himachal Garmin Bank as per performance base criteria In 2016-17.In this period the Number of branches of Himachal Gramin bank in Rural area are increased by 26 and deposit is increased by 682 Crore (approx.).

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