



## THE STATUS AND FUNCTIONING OF RRBS IN INDIA

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### **ABSTRACT**

*Regional Rural Banks are the youngest members of the family of rural credit institutions set up in India. They have been set up specially to meet the credit requirements of the weaker sections of the rural society whose problems came into focus during mid-seventies when our Ex-Prime Minister Mrs. Indira Gandhi announced the economic programme which mainly aimed at creating alternative agencies to provide institutional credit to landless laborers, rural artisans and small marginal farmers to liquidate rural indebtedness of these people. The paper furnishes the details of the number of functioning bank branches of Regional Rural Banks during 2011 to 2020. The study gives the details of bank wise number of functioning bank branches of Regional Rural banks as on March 31, 2020. The study also presents the important banking indicators of Regional Rural Banks in India.*

**KEY-WORDS:** *Bank Branches, Deposits, Investment, Securities, Credit.*

### **INTRODUCTION**

The Government of India promoted Regional Rural Banks (RRBs) through the RRBs Act of 1976 to bridge the gap in the flow of credit to the rural poor. Despite the various measures taken by the Government and the Reserve Bank through social control and the nationalisation of 14 major commercial banks, a large proportion of the rural poor remained outside the banking fold. A Working Group was appointed in 1975 under the Chairmanship of Shri M. Narsimham, to explore the possibilities of evolving an alternative rural credit agency to benefit the rural poor. The group recommended formation of a new set of regionally oriented rural banks which would combine the local

feel and familiarity of rural problems characteristic of cooperatives and the professionalism and large resource base of commercial banks. Following the recommendation, RRBs were set up in 1975.

The Regional Rural Banks (RRBs) were established in India under the RRB Act, 1976 with a view to develop 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 labourers, artisans and small entrepreneurs and for matters connected there with and incidental thereto. In the initial stages during the 1970s and 1980s, RRBs were seen as primarily catering to the BPL population by lending to them towards meeting their investment needs. But after the debt waivers of the early 1990s, the repayment problems of the rural banking system began to be magnified with a subsequent contraction in the flow of credit to small borrower accounts through the banking system. The recapitalization of RRBs during 1994-2000, along with a reorientation towards profitable functioning helped to restore the fortunes of RRBs. Thereafter the process of amalgamation which was started in 2005 has resulted in the number of RRBs being brought down. They are regulated by the Reserve Bank and supervised by the NABARD. RRBs serve scattered and less profitable clientele with low ticket sizes of loans under stringent priority sector lending norms and other delivery constraints. RRBs are thus filling the gaps which commercial banks are not able to cover.

Over the years, the RRBs, which are often viewed as the small man's bank, have taken deep roots and have become a sort of inseparable part of the rural credit structure. They have played a key role in rural institutional finance in terms of geographical coverage, clientele outreach and business volume as also contribution to development of the rural economy. A remarkable feature of their performance, especially over the past three decades or so has been the massive expansion of their retail network in rural areas. However, all along this process the viability of RRBs remained a challenge, and their balance sheets remained weak, requiring doses of capitalization.

RRBs, with their wide outreach in rural India, region-centric banking activities and close relationship with the local authorities and population, were expected to cater to the credit requirements of the rural areas and provide necessary banking infrastructure. Though the RRBs have been able to mobilize small savings of the rural sector, they have been relatively less successful in enhancing the flow of credit to the targeted rural poor.

## **REVIEW OF LITERATURE**

Sudarsana Murthy D. et.al. (2012) in their study evaluates performance of RRB's in deploying agricultural credit and evolve a package of measures for effective and efficient performance of RRBs. The study was carried out with the objectives of the study are to review the historical performance of institutional agencies in deploying agricultural credit, to examine the progress made by RRBs in Agricultural Credit, to assess the Agricultural Credit

performance through sample respondents and lastly, to evolve a package of measures for making RRBs effective in agricultural credit deploying.

Manish Khanna and S. Vaibhav (2017) made an attempt to enquire as to factors that influence the performance of the RRBs and the role-played by these banks. The authors considers that over the past few years rural India has witnessed an increase in the buying power of consumers, accompanied by their desire to upgrade their standard of living. In order to shape the present rural scenario the authors consider that there is an urgent need of upgrading various factors like employability, literacy, irrigation, infrastructure, advanced technologies, basic telecommunication facilities and above all need of efficient financial system.

Navena Nesa Kumari I and Indira A, (2018) in their study analysed the penetration of the SHGs credit-linkage programme at the southern region for a period of 2011-12 to 2016-17. The study aims to identify the progress of various institutions linked with this credit-linkage programme. The authors focused on the SHG's bank linkage programmes at public sector commercial banks, private sector commercial banks, Regional Rural banks and Co-operative banks. The study also identifies the number of women SHGs involved and benefitted in various credit linkage programme. Among the various institutions the study identifies that Public sector commercial banks and Regional rural banks were highly significant and correlated with the savings mobilized by women SHGs and bank loans disbursed by women SHGs. The study concludes that, ensuring capacity- building training programs will help in carrying out the SHG program effectively, which aids in the rural development and women empowerment.

Sidharthi Sharma et.al. (2019) in their paper throws light on the need of banking system in rural areas and significant role played by banking system in the development of rural areas and discusses about the problem faced by regional rural banks in India and suggestions to overcome the problems. The authors analysed the present level of financial performance of RRBs in India as on 31<sup>st</sup> March 2017 in comparison to 31<sup>st</sup> March 2016. The study is based on the secondary data collected from the annual reports of NABARD. The study finds and concludes that the RRBs play a very important role in the development of rural areas.

Karunakaran N., (2020) RRBs play a key role as an important vehicle of credit delivery in rural areas with the objective of credit dispersal to small, marginal farmers and socio-economically weaker section of population for the development of agriculture, trade and industry. But still its commercial viability has been questioned due to its limited business flexibility, smaller size of loan and high risk in loans and advances. Rural banks need to remove lack of transparency in their operation which leads to unequal relationship between banker and customer, the banking staff should interact more with their customers to overcome this problem and should open their branches in areas where customers are not able to avail banking facilities.

## RRB BANK BRANCHES

Table 1 furnishes the details of the number of functioning bank branches of Regional Rural Banks during 2011 to 2020.

**TABLE 1**

### Number of Functioning Bank Branches of Regional Rural Banks During 2011 to 2020

S. No.	Month / Year	Regional Rural Banks	Total Bank Branches
1	March 2020	22260	156436
2	March 2019	22009	152313
3	March 2018	21875	148774
4	March 2017	21529	146667
5	March 2016	21043	140986
6	March 2015	20198	131990
7	March 2014	19135	123194
8	March 2013	17985	111563
9	March 2012	17038	103440
10	March 2011	16167	95172

Source: RBI-Basic Statistical Returns of Scheduled Commercial banks in India- March 2020

It is evident from table 1 that there are 22,260 bank branches of Regional Rural Banks in India which constitutes 14.23 per cent of total commercial Bank branches of the country. The bank branches of Regional Rural Banks were steadily growing in India from 16,167 branches in March 2011 to 22,260 branches as on March 2020. During 10 years period 6,093 new branches were launched in the country. During the same period a total of 61,264 new branches of different other bank groups were launched. So, the share of Regional Rural Banks in the total new branches that are launched in India during 10 years period stood at 9.95 per cent. It is important to note that the share of Regional Rural Banks in total bank branches showing somewhat downward trends. In March 2011 the share of Regional Rural Banks in total bank branches stood at 16.99 per cent and reached lowest ebb of 14.23 per cent at the end of March 2020.

## FUNCTIONING BANK BRANCHES OF RRBS

Table 2 gives the details of bank wise number of functioning bank branches of Regional Rural banks as on March 31, 2020.

**TABLE 2****Bank wise Number of Functioning Bank Branches of Regional Rural banks As on March 31, 2020**

<b>S. No.</b>	<b>Bank</b>	<b>As on March 31, 2020</b>
1	Andhra Pradesh Grameena Vikas Bank	791
2	Andhra Pragathi Grameena Bank	562
3	Arunachal Pradesh Rural Bank	31
4	Aryavart Bank	1389
5	Assam Gramin Vikash Bank	482
6	Bangiya Gramin Vikash Bank	599
7	Baroda Gujarat Gramin Bank	497
8	Baroda Rajasthan Kshetriya Gramin Bank	865
9	Baroda Uttar Pradesh Gramin Bank	937
10	Chaitanya Godavari Grameena Bank	224
11	Chhattisgarh Rajya Gramin Bank	624
12	Dakshin Bihar Gramin Bank	1091
13	Ellaquai Dehati Bank	125
14	Himachal Pradesh Gramin Bank	270
15	Jharkhand Rajya Gramin Bank	452
16	J & K Grameen Bank	225
17	Karnataka Gramin Bank	1165
18	Karnataka Vikas Grameena Bank	646
19	Kashi Gomti Samyut Gramin Bank	467
20	Kerala Gramin Bank	645
21	Madhyanchal Gramin Bank	462
22	Madhya Pradesh Gramin Bank	881
23	Maharashtra Gramin Bank	419
24	Manipur Rural Bank	27
25	Megalaya Rural Bank	93
26	Mizoram Rural Bank	88
27	Nagaland Rural Bank	11
28	Odisha Gramya Bank	559
29	Paschim Banga Gramin Bank	235
30	Prathama Up Gramin Bank	958
31	Puduvai Bharathiar Grama Bank	44

32	Punjab Gramin Bank	426
33	Purvanchal Bank	612
34	Rajasthan Marudhara Gramin Bank	716
35	Saptagiri Grameena Bank	227
36	Sarva Haryana Gramin Bank	666
37	Saurashtra Gramin Bank	264
38	Tamil Nadu Grama Bank	645
39	Telangana Grameena Bank	431
40	Tripura Gramin Bank	152
41	Utkal Grameen Bank	445
42	Uttarakhand Gramin Bank	291
43	Uttar Banga Kshetriya Gramin Bank	146
44	Uttar Bihar Gramin Bank	1046
45	Vidharbha Konkan Gramin Bank	329
<b>All Banks</b>		<b>22260</b>

Source: RBI-Basic Statistical Returns of Scheduled Commercial banks in India- March 2020

It can be noted from table 2 that with 6.24 per cent of total RRB bank branches the Aryavart Bank stood at the top of the rung. It is followed by the Karnataka Vikas Grameena Bank with 5.23 per cent, which in turn followed by Dakshin Bihar Gramin Bank and Uttar Bihar Gramin Bank with 4.90 per cent and 4.70 per cent in third and fourth places respectively. The Prathama Up Gramin Bank with 4.30 per cent bank branches stood at fifth place. These five RRBs together were contributing 25.38 per cent total RRB branches in the country. The share of 9 RRBs is total branches is less than 1 per cent. With 11 bank branches the Nagaland Rural Bank stood at the lowest rung of the ladder. The share of Andhra Pragathi Grameena Bank in total bank branches stood at 2.52 per cent. It stood at 18th place among total RRBs.

### **IMPORTANT BANKING INDICATORS - REGIONAL RURAL BANKS - OUTSTANDING**

The important banking indicators of Regional Rural Banks in India are presented in table 3.

TABLE 3

**Important Banking Indicators - Regional Rural Banks – Outstanding (Rupees in Crore)**

Year	Demand Deposits	Time Deposits	Aggregate Deposits	Bank Credit	Investment in Government Securities	Investment in Other Approved Securities	Total Investment in Approved Securities	Cash in Hand
2019-20	77719	389485	467203	293575	137942	752	138694	2871
2018-19	70087	355712	425799	276345	134207	524	134730	3051
2017-18	66426	324124	390550	245375	133630	584	134213	2782
2016-17	65354	280219	345573	213247	112785	663	113448	2640
2015-16	50916	242839	293754	197111	78822	1196	80018	2285
2014-15	47117	207109	254226	173972	59969	1464	61433	2045
2013-14	39705	180919	220624	152051	55220	934	56154	2036
2012-13	37269	159154	196422	129936	49178	1170	50348	1810
2011-12	34479	138914	173393	111082	47179	1580	48759	1820
2010-11	33663	123039	156702	94545	44262	1231	45493	1671

Source: RBI-Basic Statistical Returns of Scheduled Commercial banks in India- March 2020

It can be inferred from table 3 that the time deposits are outnumbering demand deposits of Regional Rural Banks during 10 years of study. The percentage of time deposits to total deposits of Regional Rural Banks is not distributed evenly. They vary between 78.52 per cent (2011-12) to 83.37 per cent (2019-20). On the other hand the demand deposits are showing downward trends. They range between 16.63 per cent (2019-20) to 21.48 per cent (2010-11). The total deposits are gradually increasing during the 10 years of study. In 2010-11 the total deposits of Regional Rural Banks is Rs. 1,56,702 crores. By 2019-20 the aggregate deposits increased to Rs. 4,67, 203 /-crores. so, in 10 years of period the aggregate deposits increased more than 2 times. With regard to bank credit it registered more than three-fold increase in 10 years period. During the study period there is more than three fold increase in the bank credit of Regional Rural Banks. The investment in government securities in 2010-11 is Rs. 44, 262 crores and it enhanced to Rs. 137492/- crores by 2019-20. Regional Rural Banks investment in government securities registered more than 3 times increase. The share of investment in government securities to total investment varies between 96.76 per cent (2011-12) to 99.61 per cent (2018-19). On the other hand the investment in other approved securities is gradually decreasing and stood at 0.54 per cent at the end of 2019-20 financial year. The cash in hand of the Regional Rural Banks is not evenly distributed over the years.

**CONCLUSION**

RRBs have now become an important part of the multi-agency credit delivery system to the agricultural and rural sector. As these banks are the grass-root level institutions in this field, they are expected to play an increasingly

important role in achieving the goal of financial inclusion also. But to fulfil these objectives it is necessary that they function in a highly professional and cost-effective manner. That's why operational efficiency and viability is essential and critical for RRBs as a basis for their effective functioning. Amalgamation, recapitalization, interest subvention, core banking solutions have been some important initiatives taken by Government of India in order to improve the performance and financial health of RRBs during past two decades.

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