CHAPTER I
ORIGIN AND GROWTH OF REGIONAL RURAL BANKS IN INDIA

INTRODUCTION

The Indian economy is a rural economy. About 74.3 percent of its total population\(^1\) lives in rural areas. According to the 2001 census, about 65 percent of the total working population belongs to agriculture and allied services alone. Therefore, for overall development of the country it is necessary to develop the rural sector. The population in the rural sector is in the grip of hunger and starvation, population explosion, human misery rate, illiteracy, income inequalities unemployment and disguised unemployment. Villages are the essence and soul of India economically, culturally and politically. Rural development requires development of rural areas in such a way that each component of rural life social-economic and technological changes in the desired direction. Rural Development recognises the increases in production and the productivity, employment, position of improved food supplies and nutrition.

\(^1\) Census 2001
Emphasizing the need for giving local bodies statutory status, Ex Prime Minister Late Shri Rajiv Gandhi underlined the importance of Panchayat Raj and Nagar Palika bills. In his speech in Uttar Pradesh in the year 1989 he said that these bills were necessary to percolate down the benefits of government schemes to the common man\(^2\).

The Ex-Prime Minister, Shri Narshimha Rao, expressed his consent for removal of poverty, "The betterment of rural poor will receive the government’s closest attention. It will be our endeavour to develop appropriate linkage so that the pressure on land in rural areas is eased and more employment opportunities are generated with a view to tackling the problems of unemployment; under employment and low income. Administration will be made more responsive and it will ensure that every rupee spent on development reaches the intended beneficiaries."\(^3\)

The present Prime Minister Shri Atal Bihari Vajpayee also expressed his consent to remove poverty through implementation of various plans. He said more often the benefit of welfare schemes

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\(^2\) The Ex-Prime Minister Late Shri Rajiv Gandhi delivered his speech in U.P., published in National Herald, New Delhi, October 16, 1989.

\(^3\) The Former Prime Minister Shri Narsimha Rao’s first broadcast to Nation on June 22, 1991.
did not reach the deserving people and was confined only to papers.4

These statements clearly bring out the increasing importance of rural development. Therefore, the Government of India has started various development schemes to ameliorate the economic conditions of rural poor.

STRATEGIES AND PROGRAMMES FOR RURAL DEVELOPMENT

Rural development includes the development of the neglected sections of the rural masses which include small farmers, marginal farmers, agricultural labourers, landless labourers, artisans, schedule castes and schedule tribes. In this regard, several programmes were launched, new innovations were introduced and experimental and pilot programmes were launched in the past and creation of Regional Rural bank in the year 1976 is one of them.

NEED FOR RRBs DUE TO REGIONAL IMBALANCES:

The Problem of regional inequality is a complex one. It is due to several factors. Various studies have been undertaken to examine the trend in regional inequalities

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over a period of time. However, all the studies reveal similar results. The regional inequalities are mainly due to (a) difference in the variables that are considered to be significant in affecting the development process (b) differences in the methodology adopted. In order to examine the relative position of the states, one has to derive one single index for various indicators which can throw light on the relative position of the state. This index is derived through the method of Principal Component Analysis.\textsuperscript{5} The development of agriculture, industry and tertiary sectors are related to each other. However, the relative position of states in respect of these three sectors varies at a point of time as well as over a period of time. While examining joint index of agriculture, industry and tertiary sectors, it is found that Uttar Pradesh occupies fairly low rank.

It can be concluded that the developed states have been growing at a faster rate as compared to backward regions. This calls for a greater emphasis on the part of planners for deliberate measures to develop backward regions at a faster rate. It is very much disheartening to notice that despite the programmes of development

\textsuperscript{5} This method has been used to measure regional inequalities by Kantawala B.S. and Rao A.S. Trends in inequalities in Regional Development Yojana Sept. 30, 1991.
through various Five Year Plans, the number of people on rural areas continues to be below the poverty line quite considerable, approximately 36 percent. The benefits of rural development have not reached the small and the marginal farmers and other weaker sections. If special attention is not paid to the problems of the rural poor the disparities of income and wealth would widen further.

It is true that the rural poor are facing a number of constraints but the credit constraint is perhaps the most important.

Co-operative are considered to be the most suitable agency for the provision of rural credit. But their performance has been inadequate to meet the growing needs of the Indian rural economy. Not to speak of agricultural labourers, the cooperative credit system has not succeeded in serving the needs of the small and marginal farmers, to any significant extent. The cooperative credit societies have been working in the hands of big farmers and politicians who exploit the rural poor.

Even the commercial banks, which were expected to be an important source of institutional credit for agriculture and rural development after nationalisation, had by and large failed to perform their role effectively. Their operations

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excluded the bulk of rural folk, the small and the marginal farmers and the weaker sections. Undoubtedly, branch expansion since the nationalization of banking 1969 has taken the tremendous strides. But its progress in covering the rural areas has been less than satisfactory if we compare the percentage share of the rural areas in the total number of the bank branches and in the total population of the country. Even with as high as 76 percent of population on these areas had only 22 percent bank branches (at the time of nationalisation). But soon it was realised that inspite of the rapid expansion of the institutional credit agencies i.e. Cooperative and Commercial banks in the country, a large segment of rural population consisting of small and marginal farmers, agricultural labourers, rural artisans etc. were not availing institutional credit facilities and were dependent on money lenders for borrowing both for productive and consumption purposes, who exploited them by charging exhorbitant rates of interest and various other mal-practices.

To save the rural people from exploitation as well as to assess the rural credit requirements, a working group was set up by the Reserve Bank of India in 1974-75. The group highlighted that the major gains of institutional credit has been enjoyed by the rural rich whereas the
rural poor were denied the gains. Consequently, small and marginal farmers failed to adopt new form of technology to the same extent as by the rich farmers and lagged behind in reaping the benefits of seeds, fertilizers, technology. Accordingly the group suggested the establishment of Rural banks to advance loans to the adoption of production boosting technology and subsidiary occupations.

To fill the gap in the financial structure of rural economy, Regional Rural Banks Act was passed in 1976 which empowers the Government to set up such banks in unbanked areas to serve a cluster of districts. The Regional Rural Banks (RRBs) have been for meeting credit requirement of landless labourers, artisans and small entrepreneurs.7

The idea of setting up some sort of rural banks was first mooted by the Banking Commission in it report in 1972 But the Indian Government did not take any action with respect to the recommendation of the Banking Commission till June 1975. It was the announcement of the “Twenty Point Economic Programm” on 1st July 1975 that led to a rethinking on rural banks among the policy makers in the country. Accordingly the Government of India appointed a Working Group on rural banks under

7 Grewal, S.P. Rural Banking in India, Kalyani Publishers, New Delhi, 1985, P. 150.
the Chairmanship of Shri Narsimha Rao on the same day to examine the need of rural banks for catering to the need of the rural poor. The group presented its report on 30\textsuperscript{th} September, 1975, where in it emphasised the need for "an institution which combines the local feel and familiarity with local problems and attitudinal identification with rural economy which the cooperative possesses in a large degree with the modern business organisation, commercial discipline, ability to mobilise resources and access to central money markets which the commercial banks have". The group suggested that initially five (5) banks should be set up in some selected areas and on the basis of the experiment gained, they should be set up in more rural areas.\footnote{Bhargave, B.K. Indian Economic, Sudha Publications Pvt. Ltd., New Delhi, 1989, PP.426-427.}

The Working Group recommended the setting up of the State sponsored regionally based and rural oriented banks to be known as Regional Banks Ordinance, 1975.\footnote{Yojana, January 1-15, 1990, P.32.} It was in 1975 that the Narsimha Rao Committee recommendations were accepted by the Central Government and the then Prime Minister Smt. Indira Gandhi, took the bold step to establish the
Regional Rural Banks (RRBs) in October 1975,\textsuperscript{10} with the following main objectives.\textsuperscript{11}

i) Integrated Rural Development

ii) Full coverage of Potential target population

iii) Breakeven in four years

iv) Deposit mobilization

v) Internal Central and Reporting System for the healthy growth of corporate entity.

The RRBs main function is to provide credit to the poor in rural areas for the purpose of trade, agriculture, commerce, industry etc. The requirements of the Credit are so large that it may not be possible for any single agency to cope with the problems. On September 26, 1975, the Regional Rural banks Ordinance was promulgated by the President of India, and came into force with immediate effect. Accordingly the RRBs came into existence with the setting up of 5 (five) such banks on 2\textsuperscript{nd} October 1975, of which tow were in Uttar Pradesh (Moradabad and Gorakhpur), and one each in Rajasthan (Jaipur), Haryana (Bhiwani), and West Bengal (Malda) respectively.\textsuperscript{12} The main considerations in the setting up of RRBs may be summarised as follows :-

\textsuperscript{10} The Economic Times, New Delhi, 30\textsuperscript{th} December, 1989, P.5.


\textsuperscript{12} Bhargava, B.K., OP, Cit, pp.427-28
1. Commercial banks suffer from two deficiencies relative to rural credit, i.e.
   i) lack of rural background, and
   ii) high cost structure of operations.
2. In spite of the impressive progress of the rural branches of commercial banks, there is no hope of their spreading to all unbanked pockets even in the course of a decade.
3. The employees of commercial banks are unwilling to work in rural areas.

Thus the intention of the government in promoting rural banks was to combine the better features of the two different systems, commercial banks and cooperatives providing rural credit in the country avoiding at the same time the disabilities that are inherent in them.

Later on the RRBs ordinance was replaced by Regional Rural Banks Act 1976.

**COMMITTEE ON REGIONAL RURAL BANKS**

**(DANTWALA COMMITTEE 1977)**

The Committee on RRBs headed by Shri N.L. Dantwala has recommended that the RRBs should be made an integral part of the rural credit structure and by becoming such a part it can make a substantial
contribution towards improving the quality and quantity of credit flows to the rural areas.

The merit of the RRBs lies in the fact that it is purely rural oriented financial institution. It has touched the remotest corners of the countryside, where the commercial banks have failed to reach in spite of the monitoring pressure of the government. Besides, it is also free from urban bias. Really, RRBs have tried to reach the door of the poor section of the society.

Shri N.L. Dantwala has rightly said “As an agency of rural credit over the rural branches of commercial banks, they have derived their strength from relatively lower cost of operations, simplicity and low profile, local participation in management, feel and familiarity of the local staff and close association of the district agriculture and rural development agencies and personal.”

The committee recommended that normal credit facilities should not be denied to any class of farmers for two reasons viz.

a) The exclusion of borrowers other than the weaker section would adversely affect the deposit mobilisation by RRBs and lead to excessive dependence on sponsoring bank and RBI for refinancing.

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b) Since the RRBs, at least in the first instance, are supposed to be established in areas where the existing credit facilities are inadequate in the interest of the agricultural development, the credit facilities should not be denied to other class of borrowers. However, it is suggested that 60 percent of the loan advanced by RRBs should be earmarked for the benefit of small farmers, rural artisans and other rural poor. In respect of the remaining 40 percent loans, there should be a suitable ceiling on each individual loan.¹⁴

The main findings of the Dantawala Committee may be summarised as follows.¹⁵

1. The RRBs have established their image as a new type of institution catering to the credit needs of a class of borrowers to whom institutional credit was not available.

2. With some modifications in their organisation and functions, the RRBs can become a very useful component in the totality of rural credit structure.

3. Within a short period of two years, RRBs have demonstrated their capacity to serve the purpose for which they were established.

4. In the Dantawala Committee's view, establishment of RRBs will not disturb the cooperative credit structure at the base level. It is assured that the reorganised primary Agricultural Cooperative Credit Societies and Farmers Service Societies, wherever they can be effectively organised, will constitute the base of the rural credit structure.

5. Hence the programme for the establishment of more RRBs deserve to be accelerated.

6. RRBs are well suited for the purpose of progressively filling up the gap in the rural section.

7. Hence the Dantawala Committee does not approve the idea of scraping the RRB structure.

8. RRBs should function at the intermediate level.

9. As regards RRBs relationship with the cooperative credit structure where the cooperative institutions at the intermediate level (Central Cooperative Banks i.e. District Central Cooperative Banks) and at the retail level PACs & Farmer's Service Societies are weak and inadequate, RRBs can fill up gap.\(^\text{16}\)

10. In the first instance, RRBs should be extended to such areas where the Central Cooperative Banks (DCC Banks) are not able to adequately serve primary credit societies within their jurisdiction.

Where the cooperative structure at the intermediate level (DCC Banks) is fairly strong, the question arises whether RBs and cooperative pattern at the intermediate level (DCC Banks) can co-exist.

The Dantawala Committee is of the opinion that "Credit Gap, both quantitative and qualitative, is so large that given a spirit of understanding both RRBs and CCBs can function side by side without a clash of interest. This means that the most relevant criteria for the selective extension of RRBs is the state of the Cooperative Credit Structure at the district level".

In as may as 182 districts, the CBs are weak. The 48 RRBs established so far, cover 55 percent of these 182 districts. To start with, the programme of establishing new RRBs, it should be jointly chalked out by the Agricultural Department and the Department of Banking Operations and the Development of the Reserve Bank of India, in consultation with the State Governments and Commercial Banks.

11. Commercial Banks operating in the command area of a RRB should be persuaded to progressively entrust their rural credit business which the rural branches are currently doing to RRB and its branches keeping in view RRBs capability to shoulder the responsibilities.
12. In the opinion of the Dantawala Committee, the total replacement of rural branches of commercial banks by RRBs and their branches over a period of time would be acceptable to commercial banks and welcomed by the rural clients.

13. Since 1969, there has been rapid expansion of rural branches of commercial banks. The Dantawala Committee has suggested that the Reserve Bank may discuss with the commercial banks the policy of extension of their rural branches during the first phase of selective establishment of RRBs. The committee has recommended that the Government of India and the Reserve Bank may take steps to initiate the process of making RRBs an integral part of the rural credit structure.

14. The Dantawala Committee of the opinion that ideally the jurisdiction of a rural bank (RRB) should be confined too one district. Since the size and the state of economic development of districts vary a great deal it is advisable to retain some flexibility in this and other related matter. Naturally one RRB should cover a population of ten to ten (10 to 10) lakhs. From the angle of financial viability and managerial efficiency, the reasonable number of branches (per district) of each RRB will be between 50 to 60. Each
RRB would cover approximately a population of about 20,000.

**ESTABLISHMENT OF RRBs:**

The Central Government may, if requested to do so by a Sponsor Bank, by notification in the Official Gazette, establish in a State or Union territory, one or more Regional Rural Banks with such name as may be specified in the notification.

Every RRB shall be a body corporate with perpetual succession and a common seal with power, subject to the provisions of this Act, to acquire, hold and dispose of property and to contract and may sue and be sued in its name.

It shall be the duty of the Sponsor Bank to aid and assist the RRB, sponsored by it by subscribing to the share capital of such RRB, recruitment and training of personnel during the first five years of the functioning of the RRB and providing such managerial and financial assistance as may be mutually agreed upon between the Sponsor Bank and the RRB.¹⁷

Provided that the Central Government may, either on its own motion or on the recommendation of the

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National Bank, extend the said period of five years by such further period, not exceeding five years at a time, subject to such conditions as it may deem fit to impose.

OFFICES AND AGENCIES:

A Regional Rural Bank shall have its head office at such a place in the notified area as the Central Government may, after consultation with the National Bank and the Sponsor Bank, specify by notification in the official gazette.

An RRB may, if it is of the opinion that it is necessary so to do, establish its branches or agencies at any place in the notified area.\(^{18}\)

OBJECTIVES OF REGIONAL RURAL BANKS:

The main objectives of setting up of RRBs are:

i) To meet all the banking needs of the weaker sections in rural areas viz. Small and marginal farmers, landless labourers, rural artisans, craftsmen etc.

ii) To establish banking channels in unbanked and under-banked rural centres.

iii) To actively participate in implementation of various scheme/programmes launched by the State/Central Governments for upliftment of rural poor.

iv) To operate with low cost and transact the business in local languages by employing mainly locally recruited staff.

v) To mobilize rural savings and redeploy these for development of rural areas.

The RRBs provide short-term and medium-term credit both for agricultural and non-agricultural purposes. Among various purposes for which medium term agricultural loans are granted by them, minor irrigation is the common feature. They have also extended medium-term loans for land development, purchase of bullock-carts, agricultural implements and tractors. In the allied agricultural sectors sector, they have provided loans for dairy farming, sheep and goat rearing, piggery etc. The RRBs provide non-agricultural credit also.

**MAIN FEATURES OF RRBs:**

The other institutions like co-operatives and commercial banks have been catering mainly to medium and large farmers, thus the RRBs are expected to grant direct advances only to small and marginal farmers, landless labourers and rural artisans etc.
RRBs have been established under the RRB Act, 1976. Every RRB is included in the second schedule to RBI Act, 1935 from the date of its establishment and thus is a scheduled bank.

Each RRB operates within the limits notified by Government of India. The area generally covered by RRBs is confined to one or two districts, but in some cases it extends to 3 districts or even more, depending upon the population, geographical area, credit potential etc.

RRBs are generally sponsored by scheduled commercial banks. One RRB has been sponsored by a cooperative bank, viz; U.P. State Cooperative Bank in Mainpuri district of Uttar Pradesh.

Authorised capital of an RRB has been increased to Rs.5.00 crores and issued capital at present can go upto Rs.1.00 crore which is subscribed by Government of India, Sponsoring Bank and State Government in the proportion of 50:35:15 respectively.

Management of affairs and business of an RRB vests with the Board of Directors consisting of:

i) Chairman,

ii) Two directors, who are not officers of Central Government, State Government, RBI, National Bank, Sponsor Bank or any other bank to be nominated by Government of India,
iii) one director, who is an officer of RBI,
iv) one director, who is an officer of National bank,
v) two directors, who are officers of Sponsor Bank and 
vi) two officers, who are officers of the concerned State Government.

All the directors will be nominated by the respective organisation to which they belong.

The cash reserve to be maintained by the RRBs as per the RBI Act 1935 continues to be at the rate of 3 percent of their total time and demand liabilities. Similarly, the statutory liquid assets required to be maintained under Section 24 of the BR Act, 1949 also continue to be at 25% of demand and time liabilities. As a further concession, any balances maintained by RRBs in current account with SBI or any other scheduled commercial bank shall be deemed to be cash or purpose of compliance with the liquidity requirements.

All RRBs are registered as “Insured Banks” with the DICGS, thus providing protection to the depositors upto Rs.30000/- per depositor. Similarly, all eligible advances granted by RRBs are covered by the small loan guarantee scheme for which RRBs are required to pay premium at concessional rates for a period of 5 years from the date of their inception.
STRENGTH OF REGIONAL RURAL BANKS:
- RRBs are given "scheduled bank" status right from their inception.
- They are required to maintain low and fixed cash reserves and liquid assets, thus leaving a comparatively bigger portion of their deposits for deploying in lendings.
- They are allowed to pay $\frac{1}{2}$ per cent (0.5%) more interest on certain types of deposits.
- There area of operation is confirmed mainly to one or two districts, providing them enough scope for managing their operations on a sound basis.
- They are eligible to avail refinance from National Bank mostly ranging from 90% to 100%.
- They are allowed handsome returns on their balances with the sponsor and other commercial banks, including current account balances.
- They have direct access to central money market.

CAPITAL STRUCTURE OF RRBs:

AUTHORISED CAPITAL:

The authorised capital of each Regional Rural bank shall be five crores of rupees, divided into five lakhs of fully paid share of one hundred rupees each.\(^\text{19}\)

\(^{19}\) Regional Rural Bank's Act 1976 (Xth Edition 2000)
Provided that the Central Government may, after consultation with the National Bank and the Sponsor Bank, increase or reduce such authorised capital however, the authorised capital shall not be reduced below twenty-five (25) lakhs of rupees, and the share shall be in all cases, fully paid up shares of Rs.100/- each.

**ISSUED CAPITAL:**

The issued capital of each RRB shall, in the first instance, be such as may be fixed by the central government. But it shall in no case be less than twenty five lakhs of rupees (Rs.25 lakhs) or exceed one crore of rupees (Rs.one crore).

Of the capital issued by an RRB under sub-section (1) fifty percent (50%) shall be subscribed by the central government, fifteen percent (15%) by the concerned state government and thirty five percent (35%) by the sponsor bank. It means that in the ratio of 50:15:35 by central government, the concerned state government and sponsor bank respectively. The board may, after consultation with the sponsor bank and with prior approval of the central government national bank, the concerned state government and the from time to time, increase the issued capital of the RRB, and where additional capital is issued,
such capital shall also be subscribed in the same proportion as is specified in sub-section (2).

SHARES TO BE APPROVED SECURITIES:

Notwithstanding anything contained in the acts here in mentioned in this section, the share of RRB shall be deemed to be included among the securities enumerated in section 20 the INDIAN TRUST ACT, 1882, (2 of 1882) and also be deemed to be approved securities for the purpose of the Banking Regulation Act, 1949 (100 of 1949).20

MANAGEMENT OF RRBs:

The general superintendence, direction and management of the affairs and the business of an RRB is vested in a Board of Directors. The Board of Directors is required to act on business principle and should have due regard for public interest.

An RRB in the discharge of its functions will be guided by such directions in regard to matters of policy involving public interest as the Central Government may give after consultation with the Reserve Bank of India.

In addition to the chairman, there will be two directors to be nominated by the concerned State Government, not more than two Directors to be nominated by the Central Government for a period of five years. The chairman is required to devote his whole time to the affairs of the RRB and subject to the Superintendence, control and direction of the Board of Directors he will look after the whole management of the RRBs.\textsuperscript{21}

**BUSINESS CONDUCTED BY RRBs:**

Every Regional Rural Bank is authorised to carry on and transact the business of banking as defined in clause (b) of section 5 of the Banking Regulation Act, 1949 and may also engage in other business specified in Section 6(1) of the said Act. An RRBs business may be summarised as follows.\textsuperscript{22}

1. Granting of loans and advances to small and marginal farmers and agricultural labourers, whether individually or in groups and to cooperative societies, agricultural processing societies, cooperative farming societies, primary agricultural credit cooperative societies or farmers service societies for agricultural purposes or for other related purposes.


2. Granting of loans and advances to artisans, small entrepreneurs and persons of small means, engaged in commerce, trade or industry or other productive activities within its area of operation.

The other functions of an RRB are as follows:\(^23\)

i) to accept deposits

ii) to advance loans

iii) discounting bills of exchange and promissory notes

iv) acting as agent of Government or local authorities

v) miscellaneous banking functions.

The principal function of these banks is to extend credit facilities to the neglected weaker section of the society, small and marginal farmers, landless artisans and small entrepreneurs to enable them to purchase new farm inputs and start subsidiary occupations so that they may also reap the gain of economic development.

\(^23\) Greasl, S.P. Rural Banking in India, Kalyani Publishers, New Delhi, 1985, P.151.
PROGRESS OF RRBs IN INDIA:

According to the latest data available, there were 196 RRBs in the country at the end of March, 2001 with 14311 branches covering 492 districts.

They had mobilised deposits aggregating Rs.38,27,778 lakhs and had deployed Rs.8,79,737 lakhs by way of loans and advances. Thus RRB now constitute an integral part of the rural financial system. The overall progress may be shown in the Table No. 1.1 (next page) since its establishment.
### TABLE No. 1.1
SHOWING THE PROGRESS OF REGIONAL RURAL BANKS (RRBs) IN INDIA
(Amount in Lakhs Rs.)

<table>
<thead>
<tr>
<th>Years</th>
<th>Number of RRBs</th>
<th>Number of Dist. Covered</th>
<th>Number of Branches</th>
<th>Amount Deposits</th>
<th>Amount Advances</th>
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<td>March, 1999</td>
<td>196</td>
<td>451</td>
<td>14475</td>
<td>2542873</td>
<td>110178</td>
</tr>
<tr>
<td>March, 2000</td>
<td>196</td>
<td>451</td>
<td>14517</td>
<td>3219693</td>
<td>688552</td>
</tr>
<tr>
<td>March, 2001</td>
<td>196</td>
<td>492</td>
<td>14310</td>
<td>3827778</td>
<td>879737</td>
</tr>
</tbody>
</table>

Thus it is clear from the previous Table No. 1.1 that the overall performance of RRBs has been tremendous as it is clear that at the end of March, 2001 there were 196 such banks in the country with 14310 branches as against 5 RRBs in the beginning covering 12 districts with 17 branches only. In the same way, the deposits and advances rose to Rs.3,82,77,781 lakhs and Rs.8,79,737 lakhs as at the end of March, 2001 as against Rs. 20.00 lakhs and Rs. 10.00 lakhs respectively as in the year 1975.

**BRANCH EXPANSION PROGRAMME:**

Priority continued to be accorded to RRBs in the allotment of identified centres for opening of branches in districts covered by them. With the introduction of the Service Areas Approach, it was felt that non-target groups in the service area of RRBs may face some difficulties in obtaining finance. It was, therefore, decided by the Reserve Bank that further allotment of identified centres would be made to RRBs only if they did not have 25/40 branches when they cover one or more than one district.\(^{24}\)

At the end of March, 2001 RRBs had 14,310 branches as against 14,517 at the end of March, 2000 in India i.e. a decrease of 0.083 percent. Uttar Pradesh has the largest number of the branches (2994) i.e. 20.7

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percent of RRBs followed by Bihar (1869) i.e. 13.0 percent, Madhya Pradesh 1496 i.e. 10.7 percent and Andhra Pradesh (1101) i.e. 7.8 percent. The number of branches varied between 800 and 1100 in the State of Karnataka, Orissa, Rajasthan and West Bengal and between 200 to 600 in Assam, Gujrat, Haryana, Jammu and Kashmir, Maharashtra, Kerla, Tamil Nadu and Punjab, Nagaland had the lowest number of the branches (8 only) i.e. 0.05% of the total branches of these banks in the country. The statewise position of branches is furnished in the TABLE No.1.2

OPERATIONS OF RRBs:

In India, at the end of march, 2001, the outstanding deposits and advances of 196 RRBs amounted to Rs.38,27,778 lakhs (with 19% growth) and Rs.15,81,489 lakhs (with 20% growth) respectively as compared with Rs.32,20,434 lakhs and Rs.13,18,425 lakhs respectively an year ago. RRBs disbursed the amount under government sponsored programmes such as IRDP, DRI etc, during the year ended march, 2001. Approximately 92 percent of RRBs advances were granted to weaker sections of the society.
## TABLE No. 1.2.
### SHOWING STATEWISE POSITION OF RRBs IN THE COUNTRY (AS ON MARCH 2001)

<table>
<thead>
<tr>
<th>States/Union Territories</th>
<th>No. of RRBs</th>
<th>% Share</th>
<th>No. of Branches</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Arunachal Pradesh</td>
<td>1</td>
<td>0.51</td>
<td>19</td>
<td>0.13</td>
</tr>
<tr>
<td>2. Andhra Pradesh</td>
<td>16</td>
<td>8.16</td>
<td>1101</td>
<td>7.75</td>
</tr>
<tr>
<td>3. Assam</td>
<td>5</td>
<td>2.55</td>
<td>401</td>
<td>2.78</td>
</tr>
<tr>
<td>4. Bihar</td>
<td>22</td>
<td>11.23</td>
<td>1869</td>
<td>13.00</td>
</tr>
<tr>
<td>5. Gujrat</td>
<td>9</td>
<td>4.59</td>
<td>388</td>
<td>2.96</td>
</tr>
<tr>
<td>6. Haryana</td>
<td>4</td>
<td>2.04</td>
<td>292</td>
<td>2.00</td>
</tr>
<tr>
<td>7. Himachal Pradesh</td>
<td>2</td>
<td>1.02</td>
<td>129</td>
<td>0.88</td>
</tr>
<tr>
<td>8. Jammu &amp; Kashmir</td>
<td>3</td>
<td>1.53</td>
<td>262</td>
<td>1.85</td>
</tr>
<tr>
<td>9. Karnataka</td>
<td>13</td>
<td>6.63</td>
<td>1093</td>
<td>7.41</td>
</tr>
<tr>
<td>10. Kerala</td>
<td>2</td>
<td>1.02</td>
<td>325</td>
<td>1.85</td>
</tr>
<tr>
<td>12. Maharashtra</td>
<td>10</td>
<td>5.10</td>
<td>581</td>
<td>4.05</td>
</tr>
<tr>
<td>13. Manipur</td>
<td>1</td>
<td>0.51</td>
<td>29</td>
<td>0.20</td>
</tr>
<tr>
<td>14. Meghalaya</td>
<td>1</td>
<td>0.51</td>
<td>51</td>
<td>0.36</td>
</tr>
<tr>
<td>15. Mizoram</td>
<td>1</td>
<td>0.51</td>
<td>54</td>
<td>0.38</td>
</tr>
<tr>
<td>16. Nagaland</td>
<td>1</td>
<td>0.51</td>
<td>8</td>
<td>0.05</td>
</tr>
<tr>
<td>17. Orissa</td>
<td>9</td>
<td>4.59</td>
<td>823</td>
<td>5.65</td>
</tr>
<tr>
<td>18. Punjab</td>
<td>5</td>
<td>2.55</td>
<td>202</td>
<td>1.38</td>
</tr>
<tr>
<td>19. Rajasthan</td>
<td>14</td>
<td>7.15</td>
<td>1025</td>
<td>7.35</td>
</tr>
<tr>
<td>20. Tripura</td>
<td>1</td>
<td>0.51</td>
<td>85</td>
<td>0.63</td>
</tr>
<tr>
<td>21. Tamil Nadu</td>
<td>3</td>
<td>1.53</td>
<td>212</td>
<td>1.43</td>
</tr>
<tr>
<td>22. Uttar Pradesh</td>
<td>40</td>
<td>20.42</td>
<td>2994</td>
<td>20.92</td>
</tr>
<tr>
<td>23. West Bengal</td>
<td>9</td>
<td>4.59</td>
<td>871</td>
<td>5.95</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>196</strong></td>
<td><strong>100.00</strong></td>
<td><strong>14310</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

*Source: Complied with the help of various statistical publication of NABARD, Bombay.*
REFINANCE FROM NABARD

The NABARD had sanctioned to RRBs the short term and medium term credit time to time for various schemes introduced by the government i.e. National Oil seeds development (NODP), seasonal Agricultural Operations, etc. The Banks in Andhra pradesh continued to enjoy the highest share followed by karnataka. The highest limit per RRB was achieved in kerala. The performance in Bihar, on the other hand, continued to be unsatisfactory.

SCHEMATIC LENDING OPERATIONS:

For the year 1989-90, the National Bank had drawn up a schematic lending programme of Rs,. 1954 crore to be routed through commercial Banks (CBs), state land Development Banks (SLDBs), State Cooperative Banks (SCBs) and RRBs. This programme was envisaged after taking into account various factor such as full refinance support in the 63 districts where potential linked credit plans (PLPs) were prepared, credit support for the (SFPP) special foodgrain production programme, realistic assessment of commitments against sanctioned schemes, credit limits for new/innovative schemes etc. Thus, from time to time the National Bank has changed lending system according the need of public and Banks.
REFINANCE FROM SPONSOR BANKS AND OTHER INSTITUTIONS:

The amount of refinance was made available to RRBs from the respective sponsor banks for various schemes from time to time, so that RRBs could fulfil their objects. RRBs had also availed the refinance from Industrial development Bank of India (IDBI).

PROGRESS OF RRB's IN KANPUR REGION

The Regional Rural Banks came into existing in Uttar Pradesh with the establishment of one bank each at Moradabad and Gorakhpur in 1975. There are 4 RRB’s from the Central Zone consisting of Uttar Pradesh. The sample consisted of RRB’s of different size with area of operation ranging from one district to three districts. The number of branches per RRB also varied widely between eighty two (82) and one hundred & fourteen (114).

In the Kanpur region the first RRB was established on 19th September, 1976 at Sitapur (to be known as Bhagirath Gramin Bank, Sitapur) followed by Avadh Gramin Bank, Lucknow on 7th June, 1977, Kanpur Kshetriya Gramin bank, Kanpur on 27th February, 1980 and Chhatrasal Gramin Bank, Jalaun on 30th March,
1982 under sub-section (1) of section (3) of Regional Rural Bank Act, 1976.

At present Bhagirath Gramin Bank is operating with 107 branches comprising of 5 urban, 11 semi-urban and 91 rural branches in district Sitapur, Avadh Gramin Bank with 114 branches comprising of 110 rural, 2 semi-urban and 2 urban in Lucknow, Hardoi and Unnao districts. Kanpur Kshetriya Gramin Bank with 94 branches comprising 5 Metropolitan, 15 semi urban and 74 rural branches in two districts namely Kanpur Nagar and Kanpur Dehat. Chhatrasal Gramin Bank with 83 branches comprising 66 rural and 15 semi urban and 2 urban branches in three districts namely Jalaun, Hamirpur and Mahoba of Jhansi and Chitrakut Dhan division.

Credit Deposit Ratio: Credit Deposit Ratio (CDR) is an important indicator of the credit deployment out of the resources (deposits) mobilised. In case of RRBs with higher CDR the share of income from interest o loan and advances out of the total income would be higher (due to higher outstanding and disbursement) as compared to RRBs with lower CDR. CDR in the sample RRBs varied between 26.54 percent in Bhagirath Gramin Bank, Sitapur and 45.53 percent in Kanpur Kshetriya Gramin Bank, Kanpur for the year 1995-96. CDR had shown a decline during 1999-2000 from 35.43 percent in 1995-96 it had
come down to 26.59 percent, thereby implying that RRB’s had shown more inclination for deployment of funds in investment avenues rather than in loans and advances. It is apprehended that if this trend continues RRB’s might not be able to reap greater benefits of interest on loans and advances.

Sponsor Bank: Sponsor Bank plays a crucial role in operation of RRB’s. In all, there are 29 sponsor banks for all the 196 RRB’s in the country. These are all commercial banks except one cooperative bank having significant presence in specific rural areas. In the sample RRB’s, there are 3 sponsor banks viz. Bank of India, Bank of Baroda and Allahabad Bank. The maximum number of RRB’s sponsored by a single bank i.e. Allahabad Bank in the sample are 2 (two). Progress of RRBs of Kanpur region is shown in table 1.3.
## TABLE NO. – 1.3

**Basic Information about Sample RRB’s for Five Years**  

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Name of RRB</th>
<th>Sponsor Bank</th>
<th>Date of Opening</th>
<th>No. of Districts Covered</th>
<th>No. of Branches</th>
<th>Credit Deposit Ratio %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>96</td>
</tr>
<tr>
<td>1.</td>
<td>Kanpur Kshetriya Gramin Bank, Kanpur</td>
<td>Bank of Baroda</td>
<td>27&lt;sup&gt;th&lt;/sup&gt; February, 1980</td>
<td>02</td>
<td>94</td>
<td>45.53</td>
</tr>
<tr>
<td>2.</td>
<td>Avadh Gramin Bank, Lucknow</td>
<td>Bank of India</td>
<td>7&lt;sup&gt;th&lt;/sup&gt; June, 1977</td>
<td>03</td>
<td>114</td>
<td>27.65</td>
</tr>
<tr>
<td>3.</td>
<td>Chhatrasal Gramin Bank</td>
<td>Allahabad Bank</td>
<td>30&lt;sup&gt;th&lt;/sup&gt; March, 1982</td>
<td>03</td>
<td>82</td>
<td>42.00</td>
</tr>
<tr>
<td>4.</td>
<td>Bhagirath Gramin Bank</td>
<td>Allahabad Bank</td>
<td>19&lt;sup&gt;th&lt;/sup&gt; September, 1976</td>
<td>01</td>
<td>107</td>
<td>26.54</td>
</tr>
<tr>
<td></td>
<td>Average</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2.25</td>
</tr>
</tbody>
</table>

Source: Complied with the help of various annual reports of all the above banks.