CHAPTER VIII

REGIONAL RURAL BANKS IN AID OF AGRICULTURE.
In the Institutional Credit set up, Regional Rural Banks (R.R.B's) are of recent origin. The concept emerged from the Banking Commission of 1972 which suggested setting up of Regional Rural Banks for compact groups of villages, mostly autonomous in character and managed by local leadership to ensure positive response and real participation. It is on the recommendation of working group, that Government of India, by an ordinance in September 1975, paved the way for establishment of Regional Rural Banks in the country.

The idea behind the organisation of Regional Rural Banks is to cater to the needs of small and marginal farmers, agricultural labourers and other people in villages who had not adequately been served by the existing commercial banks. The Regional Rural Banks are to combine the local feel of cooperatives and management techniques of commercial

2. Working group appointed by Govt. of India, 1972 headed by Shri Narasimham.
3. Ordinance Promulgated by Govt. of India, September 15, 1975.
Banks to supplement the efforts already made by Commercial and Cooperative banks to fill in the credit gap. Thus these banks have been designated as low cost local institutions obviating drawbacks from which Commercial / Cooperative banks suffer. Each Regional Rural Bank has been sponsored by a Commercial Bank which provides assistance to it in several ways viz., subscription to share capital, provision of managerial and financial assistance and also assistance in the recruitment and training of personnel during the initial period. These banks also get special assistance from the Reserve Bank of India, like Cooperatives, in respect of loans and advances.

The Reserve Bank of India appointed a Review Committee in 1977 to examine the working of Regional Rural Banks. The Committee in its report in 1978 expressed the view that Regional Rural Banks should form an integral part of the rural credit structure and the programme of establishing such banks should be accelerated. 4 On the recommendation

of this committee, another committee, namely Steering Committee, was constituted which laid down certain norms for selecting areas for setting up such banks. These norms among other things include:

1. "Economic backwardness of the district.

2. Existence of large credit gap particularly in respect of credit requirements of small and marginal farmers.

3. Financial weakness of cooperatives and their consequent inability to ensure uninterrupted credit flow to small and marginal farmers and

4. Preponderance of tribal population and members belonging to scheduled caste and scheduled tribes". 5

The working of Regional Rural Banks over a short period of time in selected areas has held out great promise whose has prompted the Government to extend their coverage. At the end of December, 1979, there were 60 Regional Rural Banks throughout the country functioning with 247 offices and extended total advances of Rs. 167 crores spread to over 5.

16.4 lakh accounts.\textsuperscript{6}

Realising the importance as well as urgency of these banks the Government of Jammu and Kashmir decided to set-up the first Regional Rural Bank in Jammu in 1976. Presently there are three Regional Rural Banks working in the State:

1. Jammu Regional Rural Bank, Jammu
2. Ellaqai Dehati Bank, Srinagar
3. Kamraz Rural Bank, Sopore.\textsuperscript{7}

Each of these banks has an authorised capital of Rs. 1.00 lakh subscribed by the Central Government, State Government and the sponsoring bank in the ratio of 50 : 15 : 35 respectively.\textsuperscript{8} No other institution and individual can participate in the share capital of these banks. The Regional Rural Banks are basically scheduled commercial banks, but are different from the existing Commercial Banks in the

\textsuperscript{6} S. B. I. Monthly Review, August, 1980 Vol. XII No. 9, p. 286.

\textsuperscript{7} T. V. discussion of Chairman, Ellaqai Dehati Bank, Srinagar.

\textsuperscript{8} Ibid.
following respect:

1. Their area of operation is limited to a particular region comprising one or more districts/blocks.

2. They grant loans and advances particularly to small and marginal farmers and agricultural labourers and others engaged in production activity whose annual income does not exceed Rs. 4000.

3. Lending rates are at par with the rates of cooperative banks.

These Regional Rural Banks being local institutions, are generally manned by local staff who are familiar with socio-economic conditions of the areas. Although of recent origin, it would be worthwhile to make a brief survey of these banks in order to know whether these are well set on road to rural development.

1. Jammu Regional Rural Bank

The bank was established in March 1976 on the sponsorship of the J & K Bank Ltd. It covers

9. Personal discussion with the Director, Institutional Finance, J & K, Srinagar.

10. Office records of the Regional Rural Bank, Jammu.
Jammu, Kathua, Rajouri and Poonch Districts. The special feature of this bank is that its operations are limited to areas / villages, which are not covered by any Commercial Bank. It provides credit direct to individuals as well as indirectly through S.F.D.A. loans for various schemes of income generating and productive nature viz., Dairy, Poultry, Horsecart, Bullock, Fertilizers, Piggery, Thresher, Camel, Trade etc.

The business performance of the Bank since its inception up to 1980 is given below:

\[
\begin{array}{cccc}
\text{Year} & \text{Amount Disbursed} & \text{Recovery} & \text{Outstanding} \\
1976 & 3.00 & 1.00 & 2.00 \\
1977 & 22.00 & 6.00 & 23.00 \\
1978 & 113.00 & 23.00 & 90.00 \\
1979 & 216.00 & 65.00 & 151.00 \\
1980 & \text{N.A.} & - & 192.00 \\
\end{array}
\]

Source: By courtesy of Regional Rural Bank, Jammu.
The above table reveals that with the increase in disbursement from Rs. 3 lacs in 1976, the outstanding also increased from Rs. 2 lacs in 1976 to Rs. 192 lacs in 1980. Out of the total outstanding, Rs. 24 lacs stand under default against 4015 defaulters. So far the Bank has referred only 275 cases for certification and in these too decision is awaited. This reveals the unsatisfactory recovery position of the bank. On this important issue the scholar learned from the management that it was largely due to the reasons listed below:

1. People are not educated about the proper utilisation and purpose of loans. They do not understand the importance of repaying in time.

2. The situation is sometimes exploited by politicians who encourage wilful defaulters and

3. Proper processing of loan application is not done which adversely affects recovery/dues.

Along with increased trend in loan disbursement the bank has adopted the branch expansion policy to tap rural deposits. The bank has succeeded in this

objective to a great extent as is clear from the following table:

**TABLE 2**

BRANCH EXPANSION AND DEPOSIT POSITION
OF THE BANK (Rs. in Lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of branches</th>
<th>Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976</td>
<td>20</td>
<td>11.00</td>
</tr>
<tr>
<td>1977</td>
<td>35</td>
<td>73.00</td>
</tr>
<tr>
<td>1978</td>
<td>38</td>
<td>154.00</td>
</tr>
<tr>
<td>1979</td>
<td>44</td>
<td>260.00</td>
</tr>
<tr>
<td>1980</td>
<td>55</td>
<td>370.00</td>
</tr>
</tbody>
</table>

Source: - By courtesy K.R. Bank, Jammu.

Above table shows that the number of branches has increased by 35 just in four years. Deposits also increased by Rs. 359 lakhs just in four years. This is a healthy trend which needs to be maintained.

The bank advances loans simply on third party guarantee and no mortgage of land is insisted
upon. The interest rates charged vary between 9 to 11 percent.\textsuperscript{12} In order to reduce interest rates the bank is negotiating with Agricultural Refinance Development Corporation for refinance facility and once this is granted it will provide great relief to the prospective borrowers.

2. \textit{Ellaquai Dehati Bank}

Ellaquai Dehati Bank is local nomenclature of Regional Rural Bank. The Bank was set up in June, 1979 with the sponsorship of State Bank of India in the district of Anantnag.\textsuperscript{13} Subsequently the area of operation of the bank was extended to Srinagar district and two newly carved districts of Badgam and Pulwama. Presently it covers, Srinagar, Kangan, Narbal, Khan-Sahib, Khawarpora, Pulwama, Shopian, Kakapora and Beerwah blocks also.\textsuperscript{14} Like Jammu Regional Rural Bank, it is extending its loaning facilities to small and marginal farmers and other economically weaker sections of the rural community.

\textsuperscript{12} Office records of the Bank.

\textsuperscript{13} Office records of Ellaquai Dehati Bank Srinagar.

\textsuperscript{14} Personal discussion with the General Manager, Ellaquai Dehati Bank, Srinagar.
The bank provides credit facilities directly to individuals for improved seeds, implements, fertilizers, pesticides, dairy, poultry, bullocks, sheep breeding etc., to revolutionize the rural economy. It is only from February, 1980 that the bank has adopted primary cooperative societies also (whose number is 8) to extend credit facilities indirectly.\(^\text{15}\)

The performance of the bank in the task assigned to it is indicated by the following table.

**TABLE 3**

**ADVANCE RECOVERY AND OUTSTANDING POSITION OF ELLAQUI DEHATI BANK**

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of applications</th>
<th>Amount advanced</th>
<th>Recovery</th>
<th>Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>1</td>
<td>3,000</td>
<td>1,000</td>
<td>2,000</td>
</tr>
<tr>
<td>1980</td>
<td>294</td>
<td>7,84,000</td>
<td>39,000</td>
<td>7,45,000</td>
</tr>
</tbody>
</table>

*Source:* - By courtesy of Ellaquai Dehati Bank, Srinagar.

\(^{15}\). Office records of the Bank.
Proper support is evident from the above figures as number of applications received and sanctioned by the bank increased to 294 within a period of one year. The table shows that out of total advances of Rs. 7,84,000, the amount outstanding stands to the tune of Rs. 7,45,000. The Bank needs to take proper care so that it may not fall victim to overdues.

The bank established 12 branches during 1980 which increased to 35 by June 1981. The target for 1982 fixed by the Bank is to open 85 branches. This is quite encouraging and reveals the popularity of the bank in its area of operation. Again, the bank has succeeded in mobilising rural deposits to the tune of Rs. 25 lakhs in a small period of two years which is a healthy trend.

The bank charges same rates of interest and demands similar type of guarantee from the borrowers as that of Jammu Regional Rural Bank. Thus the footing of both banks is quite similar despite their different geographical location.

16. Personal discussion with the General Manager of the Ellaquai Dehati Bank, Srinagar.
17. Ibid.
3. **Kamraz Rural Bank**

The word Kamraz is the historical name of the geographical belt of Baramulla, Sopore and Bandipora. Since the area of operation of the bank covers this entire belt hence the name Kamraz was given to it. The bank came into existence quite recently, June 1981, with the sponsorship of the Jammu and Kashmir Bank Ltd. The bank has its headquarter at Sopore and till now it has opened as many as 24 branches in different market centres.

Since the bank has yet to complete its first financial year, performance has yet to be watched. However, judging from the experience of Jammu Regional Rural Bank and Ellaquai Dehati Bank it is expected that the bank will play an effective role in the years to come. The area of its operation is rich in Orchards and will prove conducive for its operational growth.

**Suggestions**-

From the overall appraisal of all the three Regional Rural Banks of the State, it is concluded

18. First written History of Kashmir Raj Tarangini.  
19. Office records of the Kamraz Rural Bank, Sopore.
that they have a better future. However, the problem of overdues might land these banks in trouble like the cooperative and commercial banks met. Therefore, enough care need to be taken to ensure prompt recovery of loans.

However, much depends on the emergence of National Bank for Agriculture and Rural Development (NABARD) on the agricultural scene for establishment of which a bill has been introduced in the Indian Parliament during the current session. Following the establishment of this bank, the Commercial Banks should be relieved of the agricultural operations and the Cooperative Banks and Regional Rural Banks should all function as branches of the proposed Agricultural Bank.

Over and above these institutional agencies, the Government, both Centre and the State is making all out effort to develop agricultural economy of the State especially weaker sections and backward communities. This is being done through the agencies like, Small Farmers Development Agency, Intensive Rural Development

Programme, which route certain plan funds through Cooperative and Commercial Banks for the agricultural development. This will be discussed in the chapter that follows:-