CHAPTER III

REGIONAL RURAL BANKS, GENESIS, OBJECTIVES AND FUNCTIONS
Indian economy has been undergoing a structural change ever since the dawn of planning era. Since Industrialisation holds the key for rapid economic development, heavy investments have been made in successive plans not only in the field of industry proper but also in infrastructure. As a result, the industrial sector of our economy has been undergoing rapid expansion, modernisation and rationalisation. But the agriculture sector continues to lag behind for a variety of reasons including shortage of agricultural credit. This has resulted in inadequate production of food grains needed for mass consumption and affected exports as well as the production in agricultural based industries. Indian planners realised the need for developing agriculture sector simultaneously with that of industrial sector, by mid-sixties, the prosperity of the economy. It was realised depended on a healthy and development agricultural sector. And the last sixties witnessed a major break through in technology, which on the one hand, resulted in modern agricultural practices like the use of HYV seeds, chemical fertilisers, pesticides and on the other the use of inputs like irrigation and agricultural machinery. This phenomenon
has stopped up the demand for bank credit for agriculture and allied activities envisaging a new role for financial institutions.

Thus the changed environment in rural sector necessitated the banking sector to play a dynamic role by way of helping rural populace to enhance the size of their productive investment. And now we find cooperative and nationalised banks on the one hand and the Regional Rural Banks on the other striving hard to meet the growing credit requirements of all sections of the population in the countryside.

It is, however, felt that despite the expansion of banking sector, some districts in the country have remained either unbanked or underbanked with poor credit availability to the rural sector. To overcome inter-district disparities, lead bank scheme was introduced by the Government of India after nationalisation of 14 major commercial banks in 1969. The concept of lead Bank was evolved towards the close of the year 1969 giving a concrete shape to the "area approach" for branch expansion. The study group on "Organisational Framework for the Implementation of Social Objectives" appointed by the National Credit Council under the Chairmanship of
D R Gadgil recommended the adoption of 'Area Approach' to banking development in the country. Nationalised banks were expected to adopt areas for increasing banking facilities to encourage local enterprise in agriculture and increase the productive efficiency of small industries. A Committee of Bankers under the Chairmanship of Sri F E K Nariman was appointed in 1969 by Reserve Bank of India to evolve coordinated programmes for ensuring the setting up of adequate banking facilities in underbanked districts of the country. The Committee accepted the 'area approach' and gave a practical shape to it under the title "Lead Bank Scheme".

Consequently, towards the close of 1969, the Reserve Bank of India finalised a lead bank scheme for all the 380 districts in the country and allotted them to public sector banks and to some private sector commercial banks also. The lead bank which is allotted a specific district is supposed to play the role of the "Consortium Leader" of all the banking and financial institutions in the district and bring about socio-economic progress of the assigned district through coordinated effort. The success of a lead bank is judged not from the work done by it alone but from the overall efforts of all participating banks and the progress achieved.
through the actual implementation and monitoring of the District Credit Plan, which is to be in consonance with district development plan and development strategy worked out by the Government.

A Working Group constituted by the Planning Commission to make an evaluation of the functioning of the scheme came to the conclusion that the envisaged objectives of the scheme were not fully achieved. The lead Banks in quite a few cases prepared very ambitious and unrealistic credit plans and the participating banks did not properly allocate their quotas among their branches. There was observed lack of coordination among various credit planning agencies and various developmental institutions working at district or block level. Besides, the development agencies at different levels failed to provide a restraint on the credit absorptive capacity in a number of districts. Lack of adequately trained staff and field workers in various bank branches and lack of cooperation at the operational level impaired the scheme. The Banking Commission 1972 under the Chairmanship of Sri R G Saraiya found Cooperatives and Commercial Banks. The long term objective implicit in it is the development of the banking
institution on the lines of Regional Rural Banks which would not only be able to mobilise deposits in rural and semi-urban areas but also assess and meet the credit needs of weaker sections.¹

GENESIS OF REGIONAL RURAL BANKS:

The cooperatives which were started in 1904 in our country were well entrenched and were the only financing agency in rural areas till the acceptance of the principle of multi-agency approach brought the commercial banks in rural credit scenario. Though they failed in some areas, the Government had been thinking on steps to organise them on strong and viable lines. Until the introduction of social control in the sphere of banking in 1968, it was the official policy to develop the cooperative system as the sole agency for meeting agricultural credit requirements. However the cooperatives had been found suffering from certain handicaps like that the lead Banks were not properly equipped to conduct the techno-economic surveys of the districts allocated to them.

¹ L D Hello, Lead Bank Scheme and Role of Rural Banks, State Bank of India Economic Review, February 1976, p.68.
As the lead bank scheme also proved to be inadequate to mitigate the plight of weaker sections like small and marginal farmers, agricultural labourers, petty traders, rural artisans and small businessmen, concentrate emphasis needed to be laid on an altogether new type of banking institution to help these targetted sections of rural population. With the preponderance of small and marginal farmers with an average land holding of 2.63 hectares (1981-82) and the swelling ranks of people dependent on agriculture for livelihood in the absence of alternative job opportunities in the countryside, the approach needs to be beneficiary-oriented. Though the Lead Bank scheme has been in operation for a considerably long period an impression has been created that the scheme has not been able to create as much an impact as it should have on the weaker sections.\(^2\) As against this background, the need for the introduction of Regional Rural Banks arose since they are expected to play an important role in the sphere of rural credit by supplementary the activities of the existing institutions, viz.,

1. Lack of managerial competence,

2. Lack of aggressiveness in resource mobilisation.
The Green Revolution and modernisation of Agriculture witnessed from late sixties necessitated higher credit requirements which cooperatives alone failed to meet. This resulted in the acceptance of the multi agency approach to agricultural credit culminating in social control of banks in 1968 and subsequently in Nationalisation of fourteen major Commercial Banks. Since then Commercial banks as a matter of policy have been involved in the sphere of agricultural finance. But the experience of Commercial Banks branches in rural areas in financing agriculture has revealed that they failed to cater to the credit requirements of specific groups like small and marginal farmers, agricultural labourers etc. It was observed that rural branches of Commercial Banks suffered from two basic handicaps.

i. fairly big cost structure resulting from high salaries to staff; and

ii. the absence of staff with proper approach orientation and training to deal with rural clientele and problems of agricultural finance.
Emergency was imposed in the country and "a new economic programme" (20 point programme) was declared. The programme aimed at, inter alia, "devising alternative agencies to provide institutional credit to landless labourers, rural artisans and small and marginal farmers", in accordance with the objective of liquidating rural indebtedness of these classes of rural population. A working group under the chairmanship of Sri. M. Narasimhan was appointed on July 1, 1975 to "Examine in depth, the setting up of new rural banks as subsidiaries of public sector banks to cater to the credit needs of the rural poor".

The group opined that cooperatives and Commercial Banks would not be able to fill the regional and functional gap in the rural credit system within a reasonable period of time. The group felt that "in a country of the size and regional diversity as ours, no single pattern, be it commercial bank or cooperatives can be expected to meet all the emerging requirements in all areas. A degree of adaptation and improvisation is called for and the range of institutional alternatives widened. It is
in this context that we have come to the conclusion that a new type of institution is necessary. It therefore, recommended the selling up of the state sponsored region based and rural-oriented commercial banks called Regional Rural Banks. The Group recommended the establishment of some 4 or 5 RRB's on experimental basis largely with a view to meet the credit gaps in areas opened up or to be opened for large agricultural development projects. The RRBs according to the group, are expected to combine in themselves the local touch and, low cost of operations of the cooperatives and efficient managerial skills and Commercial principles of rural branches of Commercial Banks while according the weaknesses of both.

Accepting the recommendations of the working group, the Government of India promulgated the Regional Rural Banks ordinance on September 26, 1975 and the First Five Regional Rural Banks were established on October 2, 1975. The ordinance was replaced by the Regional Rural Banks Act made by parliament on 9th February 1976.² Regional Rural Banks thus came to from the third component of multi agency credit system for agriculture and rural development.

² Government of India, the Regional Rural Banks Act, 1976, Ministry of law, justice and company affairs New Delhi, 1976.
OBJECTIVES OF THE REGIONAL RURAL BANKS:

The Regional Rural Banks Act has made various provisions regarding the incorporation, regulation and working of the RRBs. According to this Act, the RRBs are to be set up mainly "with a view to developing 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 the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs, and for matters connected therewith and incidental thereto."

Thus, the main objective of setting up the RRBs is to help or assist the potential rural development of agriculture and economy of the area through providing credit and other facilities to the needful people of the rural area well in time and on reasonable terms, so that they may start some viable production activity. The RRBs had been conceived as an institution and a catalytic agent for ensuring the development of rural economy by providing not only credit but also other required facilities as an answer to meet the diverse and heterogeneous needs of the rural folk with different socio-economic and agro-geographical conditions.
In order to achieve the aforesaid main objective, the following operational objectives have been conceived:

1. To provide a specialised agency which would concentrate its efforts entirely on the extension of credit facilities to small farmers and other small borrowers in the rural area at a relatively very low cost.

2. To provide employment to the rural educated youth who are properly oriented to look after the needs of the rural community. This type of arrangement alone can ensure a low cost profile envisaged for these rural banks and also achieve a reasonable level of productivity through relatively more motivated rural youth. These banks will provide job opportunities also by financing subsidiary occupations, reviving rural vocation and life.

3. To gradually replace the usurious money-lender is one very significant objective of challenging credit through the RRBs and to reduce the dependence of farmers in general and small farmers in particular on village money-lenders.

4. Bridging the credit gaps in naval areas.
5. To remove the curse of poverty in rural areas - the percentage of population below the poverty line in the rural areas is 51. The RRBs are meant to provide finance to this extremely vulnerable section of the rural society, to mitigate poverty through generation of surplus income and through better planned productive activities.

6. To mobilise rural savings - the objective of rural banking policy is mainly to evolve an institutional arrangement to mobilise the savings of the people even in small amounts and thus to inculcate in them the habit of thrift and to replace the money-lender. It is conceived that the RRBs would in view of their special character and composition, fulfil the aforesaid objective.

7. To improve standard of living - the RRBs were considered to be a suitable institution to provide needed credit at their doorstep on reasonable terms and conditions so that the weaker sections of people in rural areas could raise their total productivity and through it their standard of living.

8. To create a centre for an overall economic and social change - it is hoped that the RRBs would find their role more rewarding by integrating and coordinating their activity with the need for economic and social rural development. For this the RRBs have to establish a working
relationship with the rural folk and become a centre for economic and social change. They have to provide integrated services and acquire the culture of the rural masses. This is important inasmuch as they will have to continuously monitor the pulse of the inhabitants of their operational areas if they are not to be left behind with the swiftly changing times and attitudes.

ESTABLISHMENT OF THE REGIONAL RURAL BANKS

The Regional Rural Banks were set up under the Regional Rural Banks Ordinance, 1975, promulgated by the President of India on 26th September 1975. This was subsequently replaced by the Regional Rural Banks Act, 1976 on 9th February 1976. The Regional Rural Banks were inaugurated on 2nd October, 1975 on Mahatma Gandhiji's birth day, India took what might prove an epochal step towards making freedom more meaningful to a few more of its underprivileged people. One of the first Regional Rural Banks to be established was the 'Pratham Bank' sponsored by the Syndicate Bank in Muradabad District of Uttar Pradesh. The other four Regional Rural Banks established were in Gorakhpur in Uttar Pradesh, Bhiwani in Haryana, Jaipur in Rajasthan and Malda in West Bengal.
These Banks were expected to bring the capacity to invest to incapacitated people, especially to small and medium farmers, to rural artisans and landless agricultural labourers and thousands of small entrepreneurs scattered in rural India. In case of states where the coverage and performance of the cooperatives was satisfactory, care was to be taken to ensure that the growth of regional rural banks was not at the expense of cooperatives and that there would be no duplication of the credit structure. Even within a state where the cooperative movement was generally sound, there were pockets and areas where the cooperative structure was weak, and the scope for establishing RRBs in these areas would, therefore, exist.

Again, in certain states, commercial banks have extended a fairly wide network of branches in rural areas. In such states it was desirable to establish RRBs only in areas where the development of commercial banking was the average. The five regional rural banks established on Gandhi Jayanthi day have come in to see that these banks merge completely with the landscape of rural India. They were expected to function not merely as commercial institutions, but social institutions, playing an active role in rural uplift. Their personnel were to be composed of men knowledgeable of
local conditions trained to function as friend and philosopher to the illiterate villager, right from the filling up of forms for him.

The establishment of these new financial institutions has created a great deal of interest among the planners, policy-makers and observers of the Indian Economy. This innovation in the field of rural credit has added a new dimension to banking in India. It is considered as a potentially powerful policy instrument for achieving the objectives of rural development mainly through the development of the rural poor.

The Reserve Bank of India in its report has described the setting up of the regional rural banks as a "development which will have far reaching effects on the extension of banking facilities to the rural areas".16

MAIN FEATURES OF THE REGIONAL RURAL BANKS ACT 1976:

The Regional Rural Banks Ordinance Act of 1975 was promulgated by the President of India on September

It was subsequently replaced by the Regional Rural Banks Act of 1976 dated February 9th, 1976 and came into force with immediate effect. All the regional rural banks were to function under the guidelines framed, subject to change from time to time and control in the Act with a view to develop the rural economy.

The salient features of the Regional Rural Banks are tersely summarised and are given below as pertaining to:

1. JURISDICTION:

A Regional Rural Banks operates within the specified district/districts in a State and establishes its branches within the local limits of its area of operation. Generally, the regional rural bank operates in an area of one to five districts with homogenous agro-climatic conditions and rural customers. The branch office of regional rural bank normally covers one to three blocks and will be in a position to finance 5 to 10 farmer service societies.

2. OBJECTIVES:

According to this Act, Regional Rural Banks are to be set up mainly "with a view to developing 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 the Small and Marginal farmers, agricultural labourers, artisans and small entrepreneurs and from matters connected therewith and incidental there to". 17

3. SPONSORSHIP:

Each regional rural bank is sponsored by a Scheduled Commercial bank (mainly, a public sector bank). It is established at the initiative taken by the sponsoring bank in consultation with both the State Government and the Central Government; and under licence from the Reserve Bank of India. The Sponsoring Bank assists the regional rural bank in several ways such as subscription of its share capital, extension of managerial and financial assistance. The provision of managerial and staff assistance is available for the first five years of its existence under sub-section 3 of the Regional Rural Banks Act. However, there is no time for extending refinancing facility.

17. Government of India, the Gazette of India, Extraordinary, New Delhi, 9th Feb. 1975, Part II, Section I, p.149.
4. CAPITAL STRUCTURE

The authorised capital of each regional rural bank will be one crore rupees divided into one lakh fully paid up shares of ₹100 each. The Central Government may reduce or increase it, in consultation with the Reserve Bank and the Sponsor Bank, subject to a minimum of ₹1.5 lakhs. The issued capital of each regional rural bank will be ₹2.5 lakhs. The issued capital will be subscribed by the Government of India, the Sponsor Bank and the concerned State Government in the proportion of 50%, 35%, and 15%. There is a provision for increasing the issued capital by the Board of Directors of the RRB concerned, after consultation with the Reserve Bank of India and Sponsor Bank and with the prior approval of the Central Government.

FUNCTIONING OF THE REGIONAL RURAL BANKS

Each Regional Rural Bank has the status of a Scheduled Commercial Bank and has been empowered to mobilise deposits and to grant short-term loans to the small and marginal farmers, agricultural labourers, rural artisans, small entrepreneurs and persons of small means.
engaged in any productive activity the aim behind the starting of Regional Rural Banks is to help the weaker sections to acquire productive assets for the purpose of improving their earning capacity. They also grant bank loans to all types of co-operative societies and farmer's service societies operating within areas of operation of Regional banks. The Regional Rural Banks can extend finance both for productive and consumption purposes. Though the Regional Rural Banks are Commercial Banks, their objectives lending procedures are different from those of the ordinary Commercial banks functioning in the country.

PROGRESS OF REGIONAL RURAL BANKS IN INDIA

Regional Rural Banks sponsored by Scheduled Commercial Banks, usually public sector commercial banks, the Sponsor Banks provide refinance facility, equity contribution and marginal subsidy in the form of cost-free staff requirement and training facilities. A few non-public sector banks have also sponsored Regional Rural Banks. Following a few taken by the Reserve Banks of India in consultation with the Government of
India. Scheduled State Co-operative Banks are also allowed to Sponsor Regional Rural Banks.

The region served by the Regional Rural Bank is normally a cluster of districts. Besides contiguity of the area, areas having certain homogenous graphic or economic characteristics have also been considered. The economic backwardness of some of the districts has also been weight favourably for the solution of locating the rural banks.

The Regional Rural Banks were inaugurated on 2nd October 1975. One of the first banks to be established is the "Prathma Bank" sponsored by the Syndicate Bank in Moradabad district of Uttar Pradesh. On the same day four other Regional Rural Banks have been sponsored by State Bank of India, Punjab National Bank, United Commercial Bank and Union Bank of India were started on the same day. One more Regional Rural Bank was started on 26th December, 1975 in Bihar by Punjab National Bank. Since the inception of these banks the number of Regional Rural Banks established in the country had gone up to 194 by the end of December, 1986.
Initially, in the last quarter of 1975s there were only Six Regional Rural Banks, but their number increased to Forty by the end of 1976. Thus in 1976 alone 34 Regional Rural Banks were setup but this was not kept up in the next three years 1977-79. As there were some reservations and fresh thinking about the speed with which were Regional Rural Banks should be opened. But in view of the strongr recommendations of Dantwala Committee, there was a sharp increase in the number of Regional Rural Banks in the following years. Thus during the year 1980, 25 more Regional Rural Banks were established covering 33 additional districts. Again during 1983, 28 more Regional Rural Banks were established covering 51 districts additionally. In subsequent years, however, there was a fall in the growth of Regional Rural Banks. However, by the end of 1986, there were 194 Regional Rural Banks covering 351 districts in the country.
<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of the State</th>
<th>RRBs</th>
<th>No. of Districts Covered</th>
<th>No. of Branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Haryana</td>
<td>4</td>
<td>11</td>
<td>290</td>
</tr>
<tr>
<td>2.</td>
<td>Himachal Pradesh</td>
<td>2</td>
<td>4</td>
<td>127</td>
</tr>
<tr>
<td>3.</td>
<td>Jammu &amp; Kashmir</td>
<td>3</td>
<td>10</td>
<td>256</td>
</tr>
<tr>
<td>4.</td>
<td>Punjab</td>
<td>5</td>
<td>10</td>
<td>189</td>
</tr>
<tr>
<td>5.</td>
<td>Rajasthan</td>
<td>14</td>
<td>27</td>
<td>1059</td>
</tr>
<tr>
<td>6.</td>
<td>Arunachal Pradesh</td>
<td>1</td>
<td>4</td>
<td>17</td>
</tr>
<tr>
<td>7.</td>
<td>Assam</td>
<td>5</td>
<td>20</td>
<td>379</td>
</tr>
<tr>
<td>8.</td>
<td>Manipur</td>
<td>1</td>
<td>8</td>
<td>27</td>
</tr>
<tr>
<td>9.</td>
<td>Meghalaya</td>
<td>1</td>
<td>8</td>
<td>46</td>
</tr>
<tr>
<td>10.</td>
<td>Mizoram</td>
<td>1</td>
<td>3</td>
<td>44</td>
</tr>
<tr>
<td>11.</td>
<td>Nagaland</td>
<td>1</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>12.</td>
<td>Tripura</td>
<td>1</td>
<td>7</td>
<td>84</td>
</tr>
<tr>
<td>13.</td>
<td>Bihar</td>
<td>22</td>
<td>3</td>
<td>1880</td>
</tr>
<tr>
<td>14.</td>
<td>Orissa</td>
<td>9</td>
<td>38</td>
<td>815</td>
</tr>
<tr>
<td>15.</td>
<td>West Bengal</td>
<td>9</td>
<td>13</td>
<td>815</td>
</tr>
<tr>
<td>16.</td>
<td>Madhya Pradesh</td>
<td>24</td>
<td>18</td>
<td>1591</td>
</tr>
<tr>
<td>17.</td>
<td>Uttar Pradesh</td>
<td>40</td>
<td>44</td>
<td>3016</td>
</tr>
<tr>
<td>18.</td>
<td>Gujarat</td>
<td>9</td>
<td>57</td>
<td>396</td>
</tr>
<tr>
<td>19.</td>
<td>Maharashtra</td>
<td>10</td>
<td>17</td>
<td>583</td>
</tr>
<tr>
<td>20.</td>
<td>Andhra Pradesh</td>
<td>16</td>
<td>23</td>
<td>1112</td>
</tr>
</tbody>
</table>
TABLE 3.1 (Contd.)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of the State</th>
<th>No. of RRBs</th>
<th>No. of Districts Covered</th>
<th>No. of Branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>21.</td>
<td>Karnataka</td>
<td>13</td>
<td>20</td>
<td>1063</td>
</tr>
<tr>
<td>22.</td>
<td>Kerala</td>
<td>2</td>
<td>6</td>
<td>263</td>
</tr>
<tr>
<td>23.</td>
<td>Tamil Nadu</td>
<td>3</td>
<td>7</td>
<td>203</td>
</tr>
</tbody>
</table>

Total 196 370 14279


Initially, in the last quarter of 1975, there were only six Regional Rural Banks, but their number increased to forty by the end of 1976. Thus in 1976 alone 34 Regional Rural Banks were set up but this was not kept up in the next three years 1977-79. As there were some reservations and fresh thinking about the speed with which were Regional Rural Banks should be opened. But in view of the strong recommendations of Dantwala Committee, there was a sharp increase in the number of Regional Rural Banks in the following years. Thus during the year 1980, 25 more Regional Rural Banks were established covering 33 additional districts. Again during 1983, 26 more Regional Rural Banks were established covering 51 districts additionally.
In subsequent years, however, there was a fall in the growth of Regional Rural Banks. However, by the end of 1986, there were 194 Regional Rural Banks covering 351 districts in the country.

Since the inception of these banks, the number of Regional Rural Banks established in the country has gone up to 196 by the end of September 1989. These rural banks are operating their lending activities in 370 districts of 23 States in India. The details of the State-wise number of Regional Rural Banks that are in operation are already presented in the Table 3.1. It is evident from the table 3.1 that Uttar Pradesh has occupied first place with regard to the highest number of Regional Rural Banks i.e., 40 with 3,016 branch offices covering 57 districts followed by Madhya Pradesh, where there are 24 Regional Rural Banks in 44 districts with 1,591 branches. Bihar State occupied third place with 22 Regional Rural Banks and Andhra Pradesh, Rajasthan, Karnataka, Maharashtra have occupied the fourth place. Three States namely, Gujarat, Orissa and West Bengal have 9 Regional Rural Banks each. Two States namely Assam and Punjab have 5 Regional Rural Banks each. Haryana, Jammu and Kashmir, Tamil Nadu, Himachal Pradesh and Kerala have less than 4 Regional Rural Banks each and the remaining
six States namely, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland and Tripura have only one Regional Rural Bank for each State.

The details of the number of branches, districts covered etc., are shown in the Table 3.2. As the number of Regional Rural Banks increased from 188 in 1985 to 196 in 1989, the number of branches of Regional Rural Banks has gone up from 12,606 to 14,279 in September 1989. Similarly the number of districts covered has increased from 333 to 370 in 1989 in 23 States sponsored by the 29 Nationalised Banks in the country.

TABLE 3.2: GROWTH OF REGIONAL RURAL BANKS IN INDIA DURING 1985-90

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Number of RRBs</td>
<td>186</td>
<td>194</td>
<td>196</td>
<td>196</td>
<td>196</td>
</tr>
<tr>
<td>2.</td>
<td>Number of Branches</td>
<td>12606</td>
<td>12836</td>
<td>13353</td>
<td>13920</td>
<td>14279</td>
</tr>
<tr>
<td>3.</td>
<td>Average number of Branches for RRBs</td>
<td>67</td>
<td>66</td>
<td>68</td>
<td>71</td>
<td>73</td>
</tr>
<tr>
<td>4.</td>
<td>No.of Sponsoring Banks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>No. of Districts covered</td>
<td>333</td>
<td>351</td>
<td>363</td>
<td>369</td>
<td>370</td>
</tr>
<tr>
<td>6.</td>
<td>No. of States covered</td>
<td>23</td>
<td>23</td>
<td>23</td>
<td>23</td>
<td>23</td>
</tr>
</tbody>
</table>

Source: NABARD, Statistics on Regional Rural Banks, 1985-89.
The objective assessment of banking sector on the regional economic development exclusively is not possible as there are other factors involved in economic development. Only subjective assessment of the role of banks can be made by reviewing the growth of banks in mobilising its resources and their quantitative financial contributions in channelising the mobilised resources towards various sectors of the economy. On the basis of these assessments, the role of Regional Rural Banks in regional economic growth can be presumed. The data relating to the operations of the Regional Rural Banks are furnished in the Table 3.3, an amount of Rs.3,46,799 crores and disbursed an amount of Rs.31,54,493 crores. Similarly the number of districts covered has also increased from a small figure of 12 to 370 in 1989 in 23 States. This stresses the need and growing importance for the establishment of the Rural Banks in the rural areas to cater to the needs of the rural people. With regard to the credit deposit ratio it shows an increasing trend up to 1982 and afterwards a decreasing trend. The credit deposit ratio has gone up to the maximum level of 165 in the year 1978 and declined in subsequent years.
Table 3.4.

PERFORMANCE OF RRBS DURING 1975-1989

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of RRBS</th>
<th>No. of Branches</th>
<th>Deposits</th>
<th>Credits</th>
<th>Ration Credit/Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>6</td>
<td>17</td>
<td>20</td>
<td>10</td>
<td>50</td>
</tr>
<tr>
<td>1976</td>
<td>40</td>
<td>489</td>
<td>772</td>
<td>702</td>
<td>91</td>
</tr>
<tr>
<td>1977</td>
<td>48</td>
<td>1187</td>
<td>3304</td>
<td>4235</td>
<td>128</td>
</tr>
<tr>
<td>1978</td>
<td>51</td>
<td>1753</td>
<td>7411</td>
<td>12202</td>
<td>165</td>
</tr>
<tr>
<td>1979</td>
<td>60</td>
<td>2420</td>
<td>12322</td>
<td>16741</td>
<td>136</td>
</tr>
<tr>
<td>1980</td>
<td>85</td>
<td>3279</td>
<td>19983</td>
<td>24338</td>
<td>122</td>
</tr>
<tr>
<td>1981</td>
<td>107</td>
<td>4795</td>
<td>33600</td>
<td>40659</td>
<td>121</td>
</tr>
<tr>
<td>1982</td>
<td>124</td>
<td>6191</td>
<td>50226</td>
<td>57711</td>
<td>115</td>
</tr>
<tr>
<td>1983</td>
<td>150</td>
<td>7795</td>
<td>67785</td>
<td>75084</td>
<td>111</td>
</tr>
<tr>
<td>1984</td>
<td>173</td>
<td>10245</td>
<td>95997</td>
<td>108077</td>
<td>113</td>
</tr>
<tr>
<td>1985</td>
<td>188</td>
<td>12606</td>
<td>128582</td>
<td>148742</td>
<td>109</td>
</tr>
<tr>
<td>1986</td>
<td>194</td>
<td>12838</td>
<td>171494</td>
<td>178484</td>
<td>104</td>
</tr>
<tr>
<td>1987</td>
<td>196</td>
<td>13353</td>
<td>230592</td>
<td>223226</td>
<td>97</td>
</tr>
<tr>
<td>1988</td>
<td>196</td>
<td>13920</td>
<td>296588</td>
<td>240429</td>
<td>95</td>
</tr>
<tr>
<td>1989</td>
<td>196</td>
<td>14279</td>
<td>346799</td>
<td>315493</td>
<td>91</td>
</tr>
</tbody>
</table>

Sept.

The performance of the branches of the Regional Rural Banks can be known with the help of the average levels of deposits mobilised and credit extended by the branches of Regional Rural Banks during the period 1975-89. The Table 3.4 reveals the details.

The Table 3.4 reveals the average levels of deposits and advances of Regional Rural Banks as well as branches spread out in the country during 1975-89. In the first two years of their inception and in the last three years, the average level of deposits have exceeded the advances. As on September 1989, the Regional Rural could raise the average deposits and advances to ₹1.769.38 lakhs and ₹1.609.60 lakhs respectively.

The Regional Rural Banks raised their average size of deposits by 531 times during the period. Similarly the branches of RRB's could increase on the average, per branch by the end of September, 1989, 196 Regional Rural Banks were functioning through their 14279 branches and could mobilise.