CHAPTER 2

GENESIS AND GROWTH OF REGIONAL RURAL BANKS IN INDIA

2.1 History of Banking in India
2.2 Rural Financing in India
2.3 Origin of Regional Rural Banks in India
2.4 Growth of Regional Rural Banks in India
2.5 Reports and Recommendations of Several Committees
2.6 Review of State wise performance of Regional Rural Banks in India
2.7 Reforms and Restructuring of Regional Rural Banks
2.8 Cachar Gramin Bank
2.1 History of Banking in India

India's banking system has several outstanding achievements to its credit for the past three decades. Without a sound and effective banking system in India it cannot have a healthy economy. The most striking feature is its extensive reach. It is no longer confined to only metropolitans or cosmopolitans in India. The journey of Indian Banking System can be segregated into three distinct phases which are as follows:

- Early phase from 1786 to nationalization of Indian Banks in 1969.
- From nationalization of Indian Banks to 1991, i.e., prior to Indian banking sector Reforms.
- New phase of Indian Banking System, i.e., with the advent of Indian Financial & Banking Sector Reforms after 1991.

Phase I

Banking in India originated in the first decade of 18th century with General Bank of India coming into existence in 1786. This was followed by Bank of Hindustan. Both these banks are now defunct. The oldest bank in existence in India is the State Bank of India being established as "The Bank of
Bengal" in Calcutta in June 1806. At that point of time, Calcutta was the most active trading port mainly due to the trade of the British Empire and due to which banking activity took roots there and prospered. Gradually the market expanded with the establishment of banks, such as, Punjab National Bank, in the year 1895 in Lahore and Bank of India in the year 1906 in Mumbai - both of which were founded under private ownership. The Reserve Bank of India formally took on the responsibility of regulating the Indian banking sector from 1935. After India's independence in 1947, the Reserve Bank was nationalized and given broader powers.

At the end of late-18th century, there were hardly any banks in India in the modern sense of the term. With large exposure to speculative ventures, most of the banks opened in India during that period could not survive and failed. The depositors lost money and lost interest in keeping deposits with banks. Subsequently, banking in India remained the exclusive domain of Europeans for next several decades until the beginning of the 20th century.

At the beginning of the 20th century, Indian economy was passing through a relative period of stability. At that time there were very small banks operated by Indians and most of them were owned and operated by particular communities. The banking in India was controlled and dominated by the presidency banks, namely, the Bank of Bombay, the Bank of Bengal, and the Bank of Madras - which later on merged to form the Imperial Bank of India, and Imperial Bank of India upon India's independence was renamed as the
State Bank of India (Srivastava: 2002). There were also some exchange banks and a number of Indian joint stock banks. All these banks operated in different segments of the economy. The presidency banks were like the central bank and discharged most of the functions of central bank. They were established under charters from the British East India Company. The exchange banks, mostly owned by the Europeans, concentrated on financing of foreign trade. Indian joint stock banks were generally under capitalized and lacked the experience and maturity to compete with the presidency banks and the exchange banks. There was potential for many new banks as the economy was growing.

Under these circumstances, many Indians came forward to set up banks and many banks were set up at that time. A number of such banks have survived to the present, such as, Bank of India, Corporation Bank, Indian Bank, Bank of Baroda, and Canara Bank.

In 1865, Allahabad Bank was established and first time exclusively by Indians. Punjab National Bank Ltd. was set up in 1894 with headquarters at Lahore. Between 1906 and 1913, Bank of India, Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank, and Bank of Mysore were set up. Reserve Bank of India came in 1935. During the first phase the growth was very slow and banks also experienced periodic failures between 1913 and 1948. To streamline the functioning and activities of commercial banks, the Government of India came up with The Banking Companies Act, 1949 which was later changed to Banking Regulation Act, 1949 as per amending Act of 1965 (Act
No. 23 of 1965). Reserve Bank of India was vested with extensive powers for the supervision of banking in India as the Central Banking Authority. During that period, public has lesser confidence in banks. As an aftermath, deposit mobilisation was slow. Abreast of it, the savings bank facility provided by the Postal department was comparatively safer. Moreover, funds were largely given to traders (http://www.wikimania2008.wikimedia.org/).

Phase II

The Government took major steps in Indian Banking Sector Reform after independence. In 1955, it nationalized Imperial Bank of India with extensive banking facilities on a large scale especially in rural and semi-urban areas. It formed State Bank of India to act as the principal agent of RBI and to handle banking transactions of the Union and State Governments all over the country.

Seven banks forming subsidiary of State Bank of India was nationalized in 1960. On 19th July, 1969, major process of nationalization was carried out. It was the effort of the then Prime Minister of India, Mrs. Indira Gandhi. Fourteen (14) major commercial banks in the country were nationalized. The second phase of nationalization of Indian Banking Sector was carried out in 1980 with six more banks. This step brought 80% of the banking segment in India under Government ownership. The following are the steps taken by the Government of India in this phase:

31
• 1969 : Nationalization of 14 major banks.

• 1971 : Creation of credit guarantee corporation.

• 1975 : Creation of Regional Rural Banks.

• 1980 : Nationalization of six banks.

After the nationalization of banks, the branches of the public sector bank of India rose substantially. Deposit and advances of public sector banks have been increased at a galloping rate over the years. During this phase the banking system was open to much criticism, particularly of its bureaucratic failures, its insensitivity to the social and economic context in which it functioned and class and regional inequalities in lending patterns.

Phase III

This phase has introduced many more products and facilities in the banking sector. In 1991, under the chairmanship of M Narasimham, a committee was set up which worked for the liberalization of banking practices. The country is flooded with foreign banks and their ATM stations. Efforts are being put to give a satisfactory service to customers. Phone banking and net banking are introduced. The entire system became more convenient and swift. Time is given more importance than money. At present, banking in India is generally fairly mature in terms of supply, product range and reach, even though reach in rural India still remains a challenge for the private sector and foreign banks. In terms of quality of assets and capital adequacy, Indian banks
are considered to have clean, strong and transparent balance sheets relative to other banks.

In the early 1990s the then Narsimha Rao government embarked on a policy of liberalisation and gave licences to a small number of private banks, which came to be known as New Generation tech-savvy banks, such as, Global Trust Bank which later amalgamated with Oriental Bank of Commerce, UTI Bank (now re-named as AXIS Bank), ICICI Bank and HDFC Bank (http://www.intermesh.net/).

The third and current phase of banking in India, which began in 1991, is that of liberalization. The policy objectives of this phase are encapsulated in the Report of the Committee on the Financial System, which was chaired ironically by the same person who recommended the establishment of Regional Rural Banks, M. Narasimham (RBI : 1991). The report called for a vibrant and competitive financial system and it becomes extremely important to sustain the on-going reform in the structural aspects of the real economy. The Committee said that directed credit programmes should be phased out. It also recommended that interest rates be deregulated, capital adequacy norms be changed, branch licensing policy be revoked, a new institutional structure that is “market-driven and based on profitability” be created and the part played by private Indian and foreign banks be enlarged (Puhazhendhi and Jayaraman: 1999).
The reforms proposed in 1991 were not attempts to bring rural banking closer to the poor but to cut it back altogether and throw the entire structure of social and development banking overboard. The acceptance of Narshimam Committee recommendations by the Government of India resulted in the transformation of hitherto highly regimented and over-bureaucratized banking system into market driven and extremely competitive one. The changed milieu has thrown open tremendous opportunities and challenges for banking organizations in India (Srivastava: 2002).

2.2 Rural Financing in India

India is an agrarian country with two third of its population living in rural areas and most of them dependent on agriculture. In pre-independent India, cooperatives were among the major institutions providing finance to the rural population, as there were few rural branches of commercial banks.

Rural credit delivery system has been evolved from the year 1904 when the first Primary Agricultural Credit Society was organized and thereafter expanding it through nationalization of 27 commercial banks including State Bank of India and its seven subsidiaries and establishment of 196 Regional Rural Banks to meet the changing needs of the rural sector (Patel: 2002).

The agencies supplying rural finance may be classified into two broad categories, namely, (a) private lenders or non-institutional agencies and (b) institutional agencies. Non-institutional agencies include indigenous bankers,
moneylenders, sahukars, landlords and relative of borrowers. Institutional agencies include co-operative societies, commercial banks and regional rural banks.

The All India Rural Credit Survey Committee in 1952 observed that a large share of the credit requirements of rural households particularly the poor, came from traditional sources such as relatives, traders, landlords and moneylenders. Moneylenders, indigenous bankers and other non-institutional lenders had a predominant role in the rural credit until the nationalization of commercial banks in 1969. Their importance has been decreasing because of expansion of institutional credit. They have been following many malpractices to exploit the borrowers (Chhabra: 1988).

The co-operative societies were established to uplift the living standards of the village poor but the societies were not playing any significant role for the development of agriculture in pre-independence days. The co-operative societies were not able to meet the requirement of the rural poor (Patnaik and Mishra: 1993).

Co-operative banks started extending crop loans mostly with refinance support from RBI. There were limited arrangements for providing institutional credit for term loans under agriculture like minor irrigation, tractors, land development, etc. As per the recommendations of All India Rural Credit Survey Committee, the Agriculture Refinance Corporation was set up to provide refinance to the term lending cooperative institutions.
With the launching of Five Year Plan by the Government of India, with a thrust on rural infrastructure for agricultural development, the credit requirement for the sector increased manifold in the mid sixties. Realising the fact that cooperatives alone could not fulfil the huge demand for rural credit, commercial banks, which hitherto were almost outside the ambit of rural credit except for a peripheral role in the rural sector, were brought under social control of the Government followed by nationalisation of 14 major banks in 1969. These nationalised Commercial Banks, under aegis of the Lead Bank Scheme simultaneously, were called upon to extend agricultural credit on a priority basis and directed to expand their branches in the rural areas.

The nationalization of commercial banks on July 19, 1969 symbolised a concrete step in taking banking from the elite to the egalitarian society (Siddiqui: 2002). After the nationalization of commercial banks in 1969 it was expected that these banks would open their branches in rural areas to disburse loans to rural masses. But the general impression was that these banks would not be able to reach out to rural population (Ahmad: 1998). The nationalization of banks resulted in decrease in the variation in banking services, yet there existed regional disparities in banking services in different population groups. Infact, nationalization of commercial banks was not sufficient enough to mobilize rural savings and provide credit to rural masses as and when required.

Although, the multi-agency approach was adopted for enhancing rural credit, the Banking Commission in the year 1972, observed that despite the
massive expansion of branch network of commercial banks in the rural areas, a vast segment of the rural population comprising weaker sections and economically backward classes were deprived of banking facilities as their requirements were insignificant and financing them by commercial banks was perceived to be a non viable proposition. The Commission felt that an alternative credit delivery mechanism by way of setting up of specialised banks, particularly to cater to these segments of the population, could be explored by the Government. With the above objectives in view, Government of India constituted a Working Group on Rural Banks chaired by Shri M Narasimham, which came out with its recommendation on 31 July, 1975 for setting up of state sponsored, region based, rural oriented commercial banks which would blend the rural touch, local feel and familiarity with rural problems with a low cost profile as possessed by co-operatives and professional discipline, ability to mobilise resources by way of deposits and access to money markets on the lines of commercial banks. The new institutions were visualised as a hybrid of commercial banks and co-operative banks to supplement the efforts of the existing rural financial institutions. It was primarily aimed at financing small and marginal farmers, landless labourers, rural artisans, small traders and other weaker sections of rural society. Under a presidential ordinance followed by promulgation of the Regional Rural Bank Act, 1976, Regional Rural Banks came into being.

Regional Rural Banks were established to provide banking services to the rural people. These banks were set up in order to improve the access of the
rural population to institutional credit and other banking facilities even in the remotest parts of the country.

It is to be mentioned here that rural banking refers to the function of providing banking facilities and services to rural economic activities and does not limit itself to any one institution. The term includes banking facilities and services provided by a variety of banking and credit institutions like commercial banks, co-operative credit institutions, regional rural banks, rural credit associations and even the traditional money lenders and indigenous bankers operating in the rural areas of the country.

2.3. Origin of Regional Rural Banks in India

Regional Rural Bank (RRB) is an important component of rural financial system of India. These institutions were an innovation in providing banking services to rural people in general and rural poor in particular. The Banking Commission in its report in the year 1972 mooted the idea of setting up of rural banks in rural areas of India. It was expected that a rural bank would serve the objective of rural development through providing credit facilities to the rural poor and neglected class of people who had not been able to meet their credit requirements from the then existed institutions providing credit to rural masses (Agarwal :1991). These banks would be locally based, rurally oriented and commercially organised and would supplement the existing institutional agencies. The journey of Regional Rural Banks in India was started in the year 1975 and the Regional Rural Banks have become integral
part of the rural banking system of the country and have been playing a commendable role in providing credit and banking services to the rural masses by opening a wide network of branches in different states of the country (Gulsan and Kapoor: 1984).

Since the problems of rural depositors and borrowers in a country like India were so varied and complex that all the requirements of them could never be expected to be satisfied by a single pattern organisation - be it co-operative banking or commercial banking. A number of financial institutions (both organised and unorganised) were already in existence but an institution which could combine the positive sides of co-operative banks and commercial banks was considered essential to meet the diverse requirements of rural depositors and borrowers (Chhabra :1988). The concrete steps to set up rural banks in the country were adopted in the year 1975 with the economic programmes announced by the then Prime Minister on July 1, 1975. One of the policies envisaged in these programmes was devising alternative agencies to provide institutional credit to landless labourers, rural artisans and small and marginal farmers. In pursuance of this policy announcement, the Government of India appointed subsequently a working group under the chairmanship of Mr. M Narashimham to study the question in depth and suggest ways and means of implementing the agency. The group identified various weaknesses of co-operative agencies and commercial banks and felt that the existing institutions with their present structure would not be able to fill the regional and functional gap in the institutional credit system (Shekhar 1997).
Despite the combined efforts of co-operatives and commercial banks, the degree of institutionalization of rural credit was around 30 percent by 1970s. It was unevenly distributed among the different groups of farmers and various strata of rural society. The need for an institutional agency which could combine the local feel and familiarity of rural co-operatives and the business skill of commercial banks was increasingly felt.

It is in this context a new type of institution was necessary. The Committee, therefore, recommended the setting up of the state-sponsored, region based and rural oriented commercial bank, called Regional Rural Bank (Narasaiah and Udayasree 1999). The working group suggested the setting up of Regional Rural Banks and “The Regional Rural Banks Ordinance, 1975” was promulgated by the President of India on September 26, 1975 with immediate effect and extending to the whole of India to facilitate the setting up of Regional Rural Banks in the country. The ordinance was later replaced by the “Regional Rural Banks Act, 1976”.

2.3.1 Objectives of Regional Rural Banks in India

The Regional Rural Banks Act has made various provisions regarding the incorporation, regulation and working of Regional Rural Banks. According to this Act, Regional Rural Banks are to be set up mainly with a view to develop rural economy by providing credit facilities for the purpose of development of agriculture, trade, commerce, industry and other productive activities in rural areas. Such facility is provided particularly to the small and
marginal farmers, agricultural labourers, artisans, small entrepreneurs and other weaker sections of the society. Regional Rural Banks have been set up in rural areas where the coverage of commercial and co-operative banks was poor. (Chhabra 1988).

The Objectives of Regional Rural Banks are summarized below:

1. To provide cheap and liberal credit facilities to small and marginal farmers, agricultural labourers, artisans, small entrepreneurs and other weaker sections.
2. To save the rural poor from the clutches of moneylenders.
3. To act as a catalyst element and thereby accelerate the economic growth in the particular region.
4. To cultivate the banking habit among the rural people and mobilize savings for the economic development of rural areas.
5. To increase employment opportunities by encouraging trade and commerce in rural areas.
6. To encourage entrepreneurs and develop entrepreneurial activities in rural areas of the country.
7. To cater to the needs of backward areas which are not covered by the other efforts of the Government.
8. To develop the economic condition of rural people of a particular region.
9. To develop underdeveloped regions and thereby strive to remove economic disparities between regions.
2.3.2 Area of Operation and Capital Structure

An area approach to the development of these banks and their activities is implied in the concept of Regional Rural Banks. A Regional Rural Bank is to confine its activities within a specified region of a district or in special cases to the geographical region coming under two or three neighbouring districts specified while the bank was established. The jurisdiction of each Regional Rural Bank is within the specified district or districts of the state and for its branches certain blocks within the district. Generally, the area of operation of Regional Rural Bank consists of one to five districts with homogeneity in agro-climatic conditions. A branch office normally covers one to three blocks. The idea is to make a bank concentrate its attention and activities in a specified and manageable region so as to help in the development of that region instead of spreading its resources thinly over a large area which cannot be effectively covered and managed by a bank.

Each Regional Rural Bank is to be sponsored by a scheduled commercial bank mainly by a public sector bank. The Regional Rural Bank is established at the initiative taken by the State and Central Government. The sponsoring bank provides assistance to Regional Rural Banks in several ways, such as, -

i) Subscription to its share capital

ii) Provision of managerial assistance

iii) Provision of other staff assistance
iv) Funds under refinance assistance

v) Investment guidance etc

These were provided on the basis of mutual agreement for the period of first five years of its existence and financial assistance on the terms mutually negotiable. However, the sponsor bank continues to extend all the facilities even beyond five years as of now.

The authorized capital of each Regional Rural Bank was fixed at Rs. 1 crore and the issued capital at Rs. 25 lakhs. The issued capital would be subscribed by the Central Government, the Sponsoring bank and the concerned State Government in the proportion of 50%, 15% and 35% respectively (Tannan:1992).

The Regional Rural Banks (Amendment) Act, 1987, which came into force on 28th September 1988, has enhanced the authorized capital of Regional Rural Banks to Rs. 5 crores and paid up share capital to Rs 1 crore. The Board of Directors of Regional Rural Banks are empowered to further increase the issued capital in consultation with the sponsoring bank, RBI and prior permission of the Central Government (Batra and Dangwal:2001).

2.3.3 Business of RRBs and Constitution of Board of Directors

Every Regional Rural Bank is authorized, by the Ordinance, “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 engage in one or more forms of
business specified in sub-section 1 of section 6 of that Act. In particular, a Regional Rural Bank is required to undertake the business of granting of loans and advances to small and marginal farmers and agricultural labourers, whether individually or in groups and to co-operative societies including agricultural marketing societies, agricultural processing societies, co-operative farming societies, primary agricultural credit societies or farmers' service societies for agricultural operations or for other related purposes and granting of loans and advances to artisans, small entrepreneurs and persons of small means engaged in trade, commerce or industry or other productive activities within its area of operation (Bhat :1977).

The general management of RRBs is vested with the Board of Directors. The Board consists of nine directors including a chairman. The chairman is full time professional executive appointed by the Central Government. Although the Regional Rural Banks Act provides for appointment of chairman from any institution, generally the Government of India has chosen them from sponsor bank only. He is usually a senior officer from the sponsor bank. Of the nine directors, three are nominated by the Central Government, two by the State Government and three by the Sponsoring Bank for the time of five years. RBI and National Bank for Agriculture and Rural Development (NABARD) can also nominate one director each to the Board of Regional Rural Banks. The Central Government can increase the number of Board of Directors to a maximum of fifteen. After the formation of NABARD in July 1982, most aspects relating to the Regional Rural Banks are looked after by NABARD.
The Reserve Bank of India as the central banking authority continues to prescribe various policy guidelines for the RRBs. For ensuring local participation in the management of these banks, State Governments and sponsor banks have been advised to nominate on each Regional Rural Bank’s Board at least one non-official director having knowledge of agriculture, small industry or other related subjects.

The Board of Directors is the supreme authority for RRBs in regard to general superintendence, direction and management affairs. It has been laid down in the Ordinance that in discharging the functions, the Board should act on business principles and should have due regard to public interest. Further, a Regional Rural Bank 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. The sponsor bank will assist the Regional Rural Bank in the initial years of its functioning by deputing its officers and other employees to it for managing its day-to-day business activities.

2.3.4 Organizational Structure of Regional Rural Banks

A representative organizational structure is presented in the figure 2.1. However, there are variations depending on the staff strength, volume of business, area of coverage, number of branches and other local priorities. The Board is the top management authority in RRBs and the Chairman is the chief executive. General Manager or Administrative officer assists him. The officers
of the rank of senior managers head the various functional departments at Head Office. To facilitate the effective control of the Head Office over the branches, separate Area Offices have been established in most of the RRBs.

**Figure 2.1**

ORGANISATIONAL STRUCTURE OF REGIONAL RURAL BANK
These are manned by Area Managers, which are equivalent to senior managers at Head Office. Generally, an Area Office looks after 25 to 30 branches. Branches in RRBs are headed by the Branch managers, who in turn, are assisted by field officers and 2 to 3 clerks in large branches. However, smaller branches in many RRBs have only one person.

Apart from formal organizational structure, there is an informal organizational structure. Branch managers prefer to meet the Chairman or general manager as they do not perceive departmental heads at Head Office or Area Office are capable enough to guide and advise them. The short circuits have practically made the Area Office dysfunctional. It appears that the concept of Area Office has not been thoroughly integrated with the organizational structure of Regional Rural Banks (Ahmed: 1998).

2.3.5 Responsibilities of Sponsor Banks and Establishment of RRBs

The RRBs are sponsored by scheduled commercial banks usually public sector banks. A few non public sector banks have also sponsored RRBs. Following a view taken by the Reserve Bank of India in consultation with the Government of India, scheduled co-operative banks are also allowed to sponsor RRBs. The responsibilities of a sponsor bank for developing a Regional Rural Bank are as follows according to the Ordinance:

“A sponsor bank will assist the Regional Rural Bank sponsored by in several ways. It will subscribe to the share capital of the Regional Rural Bank,
assist in its establishment, recruitment and training of personnel during the initial period of functioning of Regional Rural Bank and in general provide such managerial and financial assistance as may be mutually agreed upon between the sponsor bank and the Regional Rural Bank” (Reserve Bank of India Bulletin : 1976).

Regarding the establishment of Regional Rural Banks the Ordinance explains as follows:

“In terms of the Ordinance, the Central Government is empowered, on the request of any bank, called “sponsor bank”, to establish in a state or Union territory one or more Regional Rural Banks with such name as may be specified in the notification issued by it. Each Regional Rural Bank will operate within the local limits to be specified by a notification. Every Regional Rural Bank will be corporate body with perpetual succession and a common seal. If it is necessary, a Regional Rural Bank might also establish branches or agencies at any place notified by the Government. The Head office of the Regional Rural Bank will be at such place within the local limits as specified by the Government after consultation with the Reserve Bank and the sponsor bank” (Reserve Bank of India Bulletin : 1976).

The RRBs were inaugurated on October 2, 1975. One of the first Regional Rural Banks established is the “Prathama Bank” sponsored by the Syndicate Bank at Moradabad District of Uttar Pradesh.
Table 2.1  First Five Regional Rural Banks in India

<table>
<thead>
<tr>
<th>Sl No</th>
<th>Name of the Bank</th>
<th>Sponsor Bank</th>
<th>State</th>
<th>Location of H.O</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Prathama bank, Moradabad</td>
<td>Syndicate Bank</td>
<td>Uttar Pradesh</td>
<td>Moradabad districts</td>
</tr>
<tr>
<td>2</td>
<td>Gorakhpur Kshetriya Gramin Bank Gorakhpur</td>
<td>State Bank of India</td>
<td>Uttar Pradesh</td>
<td>Gorakhpur and Deoria districts</td>
</tr>
<tr>
<td>3</td>
<td>Haryana Kshetriya Gramin Bank Bhiwani</td>
<td>Punjab National bank.</td>
<td>Haryana</td>
<td>Bhiwani districts</td>
</tr>
<tr>
<td>4</td>
<td>Jaipur – Nagpur Anchali Gramin Bank Jaipur</td>
<td>United Commercial Bank</td>
<td>Rajasthan</td>
<td>Jaipur and Nagpur districts</td>
</tr>
<tr>
<td>5</td>
<td>Gaur Gramin Bank Malda</td>
<td>United Commercial Bank</td>
<td>West Bengal</td>
<td>Malda west Dinajpur and Murshidabad districts</td>
</tr>
</tbody>
</table>

Source: Reserve Bank of India Bulletin, January 1976, p.63

On the same day, four other RRBs were sponsored by other public sector banks. Since their inception, RRBs made rapid strides of progress in respect of branch expansion, deposit mobilisation and advancement of loans to the weaker sections of the society. Table 2.1 reveals the information pertaining to the names of these Regional Rural Banks, their sponsoring banks, location of the Head Office of these banks, the district to whose local limits their jurisdiction are conferred and the states to which they belong.

2.4 Growth of Regional Rural Banks in India

Every Regional Rural Bank has the status of a scheduled commercial bank and has been empowered to mobilize deposits and to grant loans within
its specified area of operation. The number of Regional Rural Banks which stood only at six in the year 1975 has increased substantially over the years through its wide network of branches. Table 2.2 depicts the progress and achievement of Regional Rural Banks in India.

2.4.1 Number of Regional Rural Banks

Table 2.2 reveals that the number of RRBs was only 6 in the year 1975. But the numbers of RRBs have been increased at a galloping rate over the years. The number of RRBs in the year 1980 was 85 and the same has further increased to 188 in the year 1985. Indian banking industry has undergone a radical transformation in the scale and scope of its operation in response to the changes that have been taking place in the social, political and economic environment. The establishment of new RRBs in different states of the country will enable the banking industry to mobilize savings at an accelerated rate, deploy credit for productive uses and spread banking habits among the people of the country in general and rural areas in particular. The number of RRBs in the year 1991 was 196. India has witnessed a tremendous growth in the number of RRBs in the late 1970s and early 1980s. But there has been no change in the number of RRBs during the entire period of the present study (1991 – 2004).

2.4.2 Number of Branches of Regional Rural Banks

Table 2.2 also reveals the number of branches of RRBs. As the number of RRBs have been increasing over the years, so naturally the number of branches would also increase simultaneously. The number of branches of
RRBs was just 17 in the year 1975. But the number of branches of RRBs have been increased substantially over the years. The accent on more and more branches is said to be consistent with the policy of promoting banking habits of the people, particularly in the rural areas of the country. Since India is a country of villages, wider geographical spread of banking cannot be possible unless the banks reach remote and rural areas of the country. The number of branches of RRBs in the year 1980 was 3279 and the same has further increased to 12606 in the year 1985. Table 2.2 shows a phenomenal growth in the number of branches of Regional Rural Banks upto the year 1991. However, the number of branches has decreased from 14527 in 1991 to 14448 in 2004. The number of branches started decreasing from the second half of the last decade because of some restructuring measures adopted by different Regional Rural Banks of India.

Figure 2.2

Growth of Number of Branches of RRBs in India

![Growth of Number of Branches of RRBs in India](image)
2.4.3 Deposits of Regional Rural Banks

Table 2.2 points out that the total deposits of all RRBs of India have increased from Rs. 0.20 crores in 1975 to Rs.199.83 crores in 1980. The growth of deposit has been continuous over the last 30 years. It is shown in the table 2.2 that over the period deposits of RRBs have increased manifold. Of course, the number of RRBs and their branches were also increasing simultaneously. The total deposits of RRBs have increased to Rs. 1285.82 crores in 1985 and then to Rs.4989.24 crores in 1991. The outstanding deposit of all RRBs of India stood at Rs. 11150.01 crores in 1995 and it has substantially increased during the period of the present study. The level of deposits of all RRBs has gone up to Rs.30051.00 crores in 2000 and further it has touched the level of Rs.56350.08 crores in 2004.

Table 2.2 Basic Business Indicators of RRBs in India

<table>
<thead>
<tr>
<th>Year (As on Mar 31)</th>
<th>No.of RRBs</th>
<th>No.of Branches</th>
<th>Deposit (Rs.in Crores)</th>
<th>Outstanding Advances (Rs. in Crores)</th>
<th>CD Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>6</td>
<td>17</td>
<td>0.20</td>
<td>0.10</td>
<td>50</td>
</tr>
<tr>
<td>1980</td>
<td>85</td>
<td>3279</td>
<td>199.83</td>
<td>243.38</td>
<td>121.79</td>
</tr>
<tr>
<td>1985</td>
<td>188</td>
<td>12606</td>
<td>1285.82</td>
<td>1407.67</td>
<td>109.48</td>
</tr>
<tr>
<td>1991</td>
<td>196</td>
<td>14527</td>
<td>4989.24</td>
<td>3535.35</td>
<td>70.86</td>
</tr>
<tr>
<td>1995</td>
<td>196</td>
<td>14509</td>
<td>11150.01</td>
<td>6290.97</td>
<td>56.42</td>
</tr>
<tr>
<td>2000</td>
<td>196</td>
<td>14311</td>
<td>30051.00</td>
<td>12663.00</td>
<td>42.14</td>
</tr>
<tr>
<td>2004</td>
<td>196</td>
<td>14448</td>
<td>56350.08</td>
<td>26112.86</td>
<td>46.34</td>
</tr>
</tbody>
</table>

Source: NABARD Annual Report (Various Issues)
2.4.4 Credit of Regional Rural Banks

Table 2.2 also highlights that the total outstanding loan amount of all RRBs of India has increased from Rs.0.10 crores in 1975 to Rs. 243.38 crores in 1980. The total credit of RRBs has increased to Rs.1407.67 crores in 1985 and then to Rs.3535.35 crores in 1991. The outstanding credit of all RRBs of India stood at Rs.6290.97 crores in 1995 and its increase in absolute amount has been commendable during the period of the present study. The level of outstanding loans and advances of all RRBs has gone upto Rs. 12663.00 crores in 2000 and further it has touched the level of Rs. 26112.86 crores in 2004. In fact, the growth of loans and advances has been continuous over the last 30 years.

Figure 2.3

[Graph showing Deposit and Credit of RRBs in India]
Based on data given in table 2.2, two separate straight line trend equations have been fitted for deposit and credit of all RRBs of India taken together. The trend equation of deposits of all RRBs of India with respect to time as the independent variable is as follows-

\[ \text{Deposits} = 8522 \ t - 19227, \text{ with } R^2 = 0.7578 \]

Similarly, the trend equation of advances of all Regional Rural Banks of India with respect to time as the independent variable is given below -

\[ \text{Advances} = 3859.3 \ t - 8258.2 \text{ with } R^2 = 0.7787 \]

The two equations imply that the rate of change of deposits with time is much more than that of advances which is also evident from the figure 2.3. It may be noted that in both cases the value of \( R^2 \) is more than 0.7 which implies that more than 70% of both deposits and advances can be explained with the help of time only.

2.4.5 Credit-Deposit Ratio

In the year of establishment of RRBs (i.e. 1975) the C-D ratio of RRBs was 50%. But the C-D ratio has gone to its peak of 122% in 1980 and then the C-D ratio of RRBs has been gradually decreasing over the years. In the year 1991, the C-D ratio of all RRBs of India taken together was 70.86% but the same has decreased to 56.42% in the year 1995. It has been further decreased to 42.14% in the year 2000. However, the C-D ratio of all RRBs of India has been marginally increased to 46.34% in the year 2004.
2.5 Reports and Recommendations of Several Committees

Regional Rural Banks have been set up with a view to provide banking facilities in rural areas of the country. Since 1975, Regional Rural Banks have been playing a significant role in this regard although they are surrounded by numerous problems. Majority of Regional Rural Banks have been incurring losses over the years and it naturally poses threat to their economic viability. Therefore, the Government of India and Reserve bank of India formed various committees from time to time to analyse the various problems associated with the functioning of Regional Rural Banks and to suggest or recommend suitable measures for making Regional Rural Banks more efficient, effective and of course economically viable. The major recommendations of various committees are highlighted in the following paragraphs:

2.5.1 Working Group on Rural Banks, 1975 (Narasimham Committee):

The group recommended the establishment of Regional Rural Banks and gave emphasis on viability. Further the Committee was of the view that a certain degree of flexibility of operation may be permitted with exemption in existing banking laws and regulations. On the basis of recommendations of the group, Regional Rural Banks were established. The Regional Rural Banks enjoyed initial exemptions as a matter of policy in respect of regulatory norms. However, in the wake of financial sector reforms, Regional Rural Banks are now being subjected to same regulatory norms as commercial banks.
2.5.2 M.L. Dantawala Committee, 1977:

The Committee was appointed by the Reserve Bank of India in 1977 and it was very optimistic about the viability of Regional Rural Banks in India. The Committee expressed the view that the Regional Rural Banks had the potential and capabilities to attain financial viability and can become profit-making institutions, if it can make formulate proper plan and strategy. The Committee suggested that Regional Rural Banks should not remain confined to the selected areas but form an integral part of the rural credit structure. Their jurisdiction should ideally be one district and they should cover a population of 10 to 20 lakhs. Further, the rural branches of commercial banks should be transferred to Regional Rural Banks (Chhabra: 1988). Regional Rural Banks are needed to make good some of the inadequacies in the existing rural credit system and they should become an integral part of rural credit structure. A separate institution for training needs of Regional Rural Banks may be set up by sponsor banks. On the basis of the recommendations of the Committee the numbers of Regional Rural Banks have gone up to 196 in 1987 and this expansion made Regional Rural Banks an important component of rural credit delivery system. Amendments in 1988 in Regional Rural Banks Act resulted in induction of two non-official directors in the Boards of Regional Rural Banks. The chairman of Regional Rural Banks was appointed by Government of India in consultation with Reserve Bank of India. On formation of National Bank for Agriculture and Rural Development (NABARD), the appointment of chairman was made by Government of India in consultation with NABARD. Later on,
Sponsor Banks were empowered to appoint chairman in consultation with NABARD. Sponsor Banks set up the Training Centres with focus on Regional Rural Banks staff. However, in due course of time, NABARD set up Bankers’ Institute for Rural Development (BIRD) for focused training of officers of Regional Rural Banks.

2.5.3 Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD):

The Committee to Review the Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD) appointed by the Reserve Bank of India which in its report submitted in 1981 examined the role of Regional Rural Banks in the rural credit system of India and made some observations. The Committee recommended that the losses incurred by a Regional Rural Bank should be made good annually by the shareholders in the same proportion of their shareholdings. Further, as Regional Rural Banks were more suitable for rural development work, preference should be given to them with regard to licensing of branches in rural areas. In areas where the terrain is difficult, the accessibility is limited, the area itself requires further monetization and particularly all families belonging to weaker sections in the North Eastern Region, the approach to Regional Rural Banks may have to be different and it might be allowed to cover larger areas and also finance all the categories of borrowers for all purposes.
2.5.4 Working group on RRBs (Kelker Committee, 1984):

This working group was formed to review the various aspects relating to Regional Rural Banks functioning so as to find out ways and means for strengthening their organization structure and improving their overall capabilities. The working group suggested that the small and uneconomic Regional Rural Banks to be merged in the interest of economic viability. Besides, accumulated losses of Regional Rural Banks are to be shared by the shareholders in the form of grants to Regional Rural Banks in proportion of their equity holdings. The group recommended the continuance of Regional Rural Banks and emphasized greater involvement of the sponsor banks in the functioning of Regional Rural Banks (Tannan: 1992).

2.5.5 Agricultural Credit Review Committee, 1989:

The Committee was formed under the Chairmanship of Dr. A.M. Khusro and it found that some serious problems and deficiencies in the functioning of Regional Rural Banks, such as, decline in profitability, poor recoveries and problems relating to management and staff etc. According to the Committee, willful defaults, misuse of loans, lack of follow-up, wrong identification of beneficiaries, advancing benami loans, employee unrest were rampant in RRBs. However, the Committee was of the opinion that the only option to reduce such problems of Regional Rural Banks and to make them viable and efficient was to merge the Regional Rural Banks with the sponsor banks.
2.5.6 Committee on Financial System (Narasimham Committee), 1991:

To impart viability to the operations of Regional Rural Banks, they should be permitted to engage in all types of banking business and should not be forced to restrict their operations to the target groups. It becomes necessary to evolve a rural banking structure which would combine the advantage of the local character of the Regional Rural Banks and the strength and organization / managerial skills of the commercial banks.

2.5.7 Working Group on Funds Management in RRBs (Misra Committee), 1995:

The working group suggested that in order to further improve the viability of Regional Rural Banks, a mechanism should be worked out under which the Regional Rural Banks should be able to place their surplus funds with NABARD or a special agency which would deploy them on behalf of the Regional Rural Banks.

2.5.8 Committee on Restructuring of RRBs, 1994 (Bhandari Committee):

The Committee identified 49 Regional Rural Banks for comprehensive restructuring. It recommended greater devolution of decision-making powers to the Boards of Regional Rural Banks in the matters of business development and staff matters. Bhandari Committee recommended greater autonomy of sponsor bank in the appointment of Chairman and General Manager of the sponsored Regional Rural Banks. Comprehensive changes were made in
decision-making systems in Regional Rural Banks in view of restructuring scheme of Government of India. The Committee also recommended for relaxations in norms for lending and non-fund business, deregulation of interest rate, branch relocation, wherever necessary.

2.5.9 Committee on Revamping of Regional Rural Banks, 1996 (Basu Committee):

The Committee suggested the introduction of Prudential Norms for Regional Rural Banks with suitable modifications and broad-basing the selection of chairman of Regional Rural Banks. Further, the Committee stated that some of the Regional Rural Banks might not be able to respond positively to the 'Stand Alone' Approach or any other revamping strategy. Liquidation of such Regional Rural Banks might be the only solution.

2.5.10 Expert Group on RRBs 1997 (Thingalaya Committee):

Very weak Regional Rural Banks to be viewed separately and possibility of their liquidation be recognized. They might be merged with neighboring Regional Rural Banks. Adequate autonomy to Board of Directors should be given for decisions on all matters relating to business without having to refer to apex authorities. The Committee also recommended for professionalisation of Boards of Directors and strengthening of Internal Inspection System set up in Regional Rural Banks and introduction of Vigilance Cells.
2.5.11 Committee on Banking Sector Reforms, 1998 (Narasimham Committee):

The Committee recommended that all regulatory and supervisory functions over rural credit institutions should vest with the Board for Financial Regulation and Supervision. Positive steps may be taken to bring the Regional Rural Banks on the right path of solvency, profitability and productivity without undermining the ultimate objectives of rural development.

2.5.12 Committee on Manpower Norms in Regional Rural Banks (Agarwal Committee):

The Committee suggested many things relating to manpower issues. Some of the major issues are deputation of staff from surplus Regional Rural Banks to deficit Regional Rural Banks, outsourcing and redeployment of staff and management of manpower surplus/shortage in different Regional Rural Banks of India.

2.5.13 Expert Committee on Rural Credit, 2001 (Vyas Committee I):

The Committee suggested that shares of defaulting State Governments could be taken over by some other willing party at an independently determined fair price. This willing party could be sponsor banks, Non Banking Financial Corporations (NBFCs) or even the Regional Rural Banks Employees. The sponsor bank should ensure necessary autonomy for Regional Rural Banks in their credit and other portfolio management system.
2.5.14 Estimates Committee, 2000-01:

The Committee recommended that number of State nominees in RRBs’ Board should be reduced from two to one and the strength of sponsor bank’s nominee directors be increased from two to three. Further, the term of non-official directors should not exceed four years in normal circumstances. The guidelines stipulating that Government deposits be made only in nationalised banks should be reviewed and suitably modified so that such funds could also be deposited in RRBs. Appropriate steps should be taken for providing recapitalisation support to the loss making and partially recapitalised Regional Rural Banks for making them viable. RBI should examine the desirability of enhancing the percentage of lending to the priority sector by the RRBs.

2.5.15 Advisory Committee on Flow of Credit to Agriculture and Related Activities, 2004 (Vyas Committee II):

Two different models need to be applied - a zonal bank for RRBs in the North-East and rural banks at state level for the rest of the country. The latter would be in two stages. As a first step, all RRBs of a sponsor bank in a state would be amalgamated into a single unit in that state. The second step would be state-wise consolidation and formation of state level rural banks. The restructured state/zonal Regional Rural Banks may be permitted to seek cheaper funds through issue of Certificates of Deposits. Income-tax exemption granted to RRBs may be continued to the newly formed RRBs.
It may be worthwhile to mention here that too many Committees have been formed during last three decades. These Committees analysed the different aspects of banking activities and suggested some recommendations. But without giving sufficient time for implementation of some of those recommendations and analysing the impact of implementation of such recommendations another committee has been formed and that committee came out with a new list of recommendations.

2.6 Review of State wise Performance of Regional Rural Banks in India

The Regional Rural Banks (RRBs), with focus on serving the rural areas, form an integral segment of the Indian banking system. As on 31 March 2004, 196 Regional Rural Banks operated with a network of 14446 branches covering 518 districts. Most of the branches of the Regional Rural Banks constituting more than one third of the total rural branches of all the scheduled commercial banks operate in rural areas. While 45 Regional Rural Banks cover just one district each, 109 cover 2-3 districts each, 29 Regional Rural Banks serve 4-5 districts while 13 RRBs have a service range of 6-9 districts each. Further, 70 Regional Rural Banks have up to 50 branches each, 109 Regional Rural Banks have between 51-150 branches each, while 17 Regional Rural Banks have over 150 branches each. The rural and semi urban branches of Regional Rural Banks constitute 98% of their branch network. Regional Rural Banks have witnessed far-reaching changes in their functioning since the introduction of the banking sector reforms as part of the financial sector
reforms. Table 2.3 reveals the highlights of the state-wise performance of Regional Rural Banks in India -

(A) Andhra Pradesh : The 16 RRBs covered 23 districts in the State and comprised of 1170 branches with staff strength of 5717. As on March 31, 2004, the average CD ratio of the RRBs in the State was 71.77%, the recovery was 70.96% and the gross NPA stood at 8.09 %. The branch productivity and staff productivity are 706.12 lakhs and 144.51 lakhs respectively.

(B) Arunachal Pradesh : The State had only one RRB covering 6 districts with 17 branches and a staff strength of 62 as on March 31, 2004 and is sponsored by SBI. As on March 31, 2004, the CD ratio of the RRB in the State was 58.31%, the recovery was 22.61% and the gross NPA stood at 74.41%, the highest among RRBs in the country. The branch productivity and staff productivity are 519.68 lakhs and 142.49 lakhs respectively.

(C) Assam : As on March 31, 2004, the 5 RRBs covered 24 districts in the State and comprised of 398 branches with staff strength of 1964. All the 5 RRBs put together recorded profits to the tune of Rs. 14.73 crore. All the RRBs had accumulated losses to the tune of Rs. 89.58 crore. As on March 31, 2004, the average CD ratio of the RRBs in the State was 38.42%, the recovery was 58.41% and the gross NPA stood at 14.07 %. The branch productivity and staff productivity are 554.59 lakhs and 112.39 lakhs respectively.
(D) Bihar: The 16 RRBs covered 38 districts in the State and comprised of 1486 branches with a staff strength of 6278. As on March 31, 2004, the average CD ratio of the RRBs in the State was 27.85%, the recovery was 60.92% and the gross NPA stood at 18.86%. The branch productivity and staff productivity are 435.28 lakhs and 103.03 lakhs respectively.

(E) Chattisgarh: As on March 31, 2004, the 5 RRBs covered 17 districts in the State and comprised of 436 branches with staff strength of 1804. As on March 31, 2004, the average CD ratio of the RRBs in the State was 27.53%, the recovery was 69.02% and the gross NPA stood at 14.83%. The branch productivity and staff productivity are 418.62 lakhs and 101.17 lakhs respectively.

(F) Gujarat: As on March 31, 2004, the 9 RRBs covered 23 districts in the State and comprised of 376 branches with a staff strength of 1613. As on March 31, 2004, the average CD ratio of the RRBs in the State was 45.09%, the recovery was 76.53% and the gross NPA stood at 12.53%. The branch productivity and staff productivity are 568.14 lakhs and 132.44 lakhs respectively.

(G) Haryana: As on March 31, 2004, the 4 RRBs covered 18 districts in the State and comprised of 295 branches with staff strength of 1579. As on March 31, 2004, the average CD ratio of the RRBs in the State was 55.56%, the recovery was 84.73% and the gross NPA stood at 5.39%. The branch
productivity and staff productivity are 781.15 lakhs and 145.94 lakhs respectively.

(H) Himachal Pradesh: As on March 31, 2004, the 2 Regional Rural Banks covered 7 districts in the State and comprised of 133 branches with staff strength of 581. As on March 31, 2004, the average CD ratio of the RRBs in the State was 25.58%, the recovery was 80.79% and the gross NPA stood at 7.41%. The branch productivity and staff productivity are 646.75 lakhs and 148.05 lakhs respectively.

(I) Jammu & Kashmir: As on March 31, 2004, the 3 Regional Rural Banks covered 13 districts in the State and comprised of 266 branches with staff strength of 1214. As on March 31, 2004, the average CD ratio of the RRBs in the State was 20.79%, the recovery was 63.85% and the gross NPA stood at 11.07%. The branch productivity and staff productivity are 440.21 lakhs and 96.45 lakhs respectively.

(J) Jharkand: As on March 31, 2004, the 6 RRBs covered 21 districts in the State and comprised of 390 branches with a staff strength of 1606. As on March 31, 2004, the average CD ratio of the RRBs in the State was 26.42%, the recovery was 44.94% and the gross NPA stood at 24.40%. The branch productivity and staff productivity are 464.18 lakhs and 112.72 lakhs respectively.
## Table 2.3 Performance of Regional Rural Banks in India

### (As on 31st March, 2004)

<table>
<thead>
<tr>
<th>State</th>
<th>District</th>
<th>Branches</th>
<th>Staff</th>
<th>CD Ratio (%)</th>
<th>BP (Rs. in lakhs)</th>
<th>SP (Rs. in lakhs)</th>
<th>Recovery (%)</th>
<th>NPA (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andhra Pradesh</td>
<td>23</td>
<td>1170</td>
<td>5717</td>
<td>71.77</td>
<td>706.12</td>
<td>144.51</td>
<td>70.96</td>
<td>8.09</td>
</tr>
<tr>
<td>Arunachal Pradesh</td>
<td>6</td>
<td>17</td>
<td>62</td>
<td>58.31</td>
<td>519.68</td>
<td>142.49</td>
<td>22.61</td>
<td>74.4</td>
</tr>
<tr>
<td>Assam</td>
<td>24</td>
<td>398</td>
<td>1964</td>
<td>38.42</td>
<td>554.59</td>
<td>112.39</td>
<td>58.41</td>
<td>14.07</td>
</tr>
<tr>
<td>Bihar</td>
<td>38</td>
<td>1486</td>
<td>6278</td>
<td>27.85</td>
<td>435.28</td>
<td>103.03</td>
<td>60.92</td>
<td>18.8</td>
</tr>
<tr>
<td>Chattisgarh</td>
<td>17</td>
<td>436</td>
<td>1804</td>
<td>27.53</td>
<td>418.62</td>
<td>101.17</td>
<td>69.02</td>
<td>14.8</td>
</tr>
<tr>
<td>Gujrat</td>
<td>23</td>
<td>376</td>
<td>1613</td>
<td>45.09</td>
<td>568.14</td>
<td>132.44</td>
<td>76.53</td>
<td>12.53</td>
</tr>
<tr>
<td>Haryana</td>
<td>18</td>
<td>295</td>
<td>1579</td>
<td>55.56</td>
<td>781.15</td>
<td>145.94</td>
<td>84.73</td>
<td>5.39</td>
</tr>
<tr>
<td>Himachal Pradesh</td>
<td>7</td>
<td>133</td>
<td>581</td>
<td>25.58</td>
<td>646.75</td>
<td>148.05</td>
<td>80.79</td>
<td>7.41</td>
</tr>
<tr>
<td>Jammu &amp; Kashmir</td>
<td>13</td>
<td>266</td>
<td>1214</td>
<td>20.79</td>
<td>440.21</td>
<td>96.45</td>
<td>63.85</td>
<td>11.07</td>
</tr>
<tr>
<td>Jharkhand</td>
<td>21</td>
<td>390</td>
<td>1606</td>
<td>26.42</td>
<td>464.18</td>
<td>112.72</td>
<td>44.94</td>
<td>24.40</td>
</tr>
<tr>
<td>State</td>
<td>District</td>
<td>Staff (Rs. in lakhs)</td>
<td>NPAs (%)</td>
<td>Recovery (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------</td>
<td>----------</td>
<td>----------------------</td>
<td>----------</td>
<td>--------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Karnataka</td>
<td>29</td>
<td>1113</td>
<td>83.17</td>
<td>9.81</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kerala</td>
<td>10</td>
<td>353</td>
<td>95.49</td>
<td>11.76</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>47</td>
<td>1053</td>
<td>41.87</td>
<td>75.41</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maharashtra</td>
<td>20</td>
<td>593</td>
<td>45.13</td>
<td>84.99</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manipur</td>
<td>9</td>
<td>29</td>
<td>52.97</td>
<td>72.49</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meghalaya</td>
<td>4</td>
<td>51</td>
<td>184.07</td>
<td>13.47</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mizoram</td>
<td>8</td>
<td>54</td>
<td>175.52</td>
<td>21.02</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nagaland</td>
<td>5</td>
<td>8</td>
<td>200.3</td>
<td>38.32</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Orissa</td>
<td>30</td>
<td>831</td>
<td>562.76</td>
<td>29.46</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Punjab</td>
<td>16</td>
<td>203</td>
<td>668.25</td>
<td>13.97</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State</td>
<td>District</td>
<td>Branches</td>
<td>Staff</td>
<td>CD Ratio (%)</td>
<td>BP (Rs. in lakhs)</td>
<td>SP (Rs. in lakhs)</td>
<td>Recovery (%)</td>
<td>NPA (%)</td>
</tr>
<tr>
<td>----------------</td>
<td>----------</td>
<td>----------</td>
<td>-------</td>
<td>--------------</td>
<td>-------------------</td>
<td>------------------</td>
<td>--------------</td>
<td>---------</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>34</td>
<td>1010</td>
<td>4333</td>
<td>45.00</td>
<td>506.60</td>
<td>118.09</td>
<td>80.05</td>
<td>8.38</td>
</tr>
<tr>
<td>Tamilnadu</td>
<td>10</td>
<td>209</td>
<td>1068</td>
<td>84.98</td>
<td>697.53</td>
<td>136.50</td>
<td>89.28</td>
<td>4.21</td>
</tr>
<tr>
<td>Tripura</td>
<td>4</td>
<td>87</td>
<td>702</td>
<td>29.30</td>
<td>1083.94</td>
<td>134.33</td>
<td>44.56</td>
<td>27.54</td>
</tr>
<tr>
<td>UttarPradesh</td>
<td>69</td>
<td>2844</td>
<td>14348</td>
<td>36.38</td>
<td>627.58</td>
<td>124.40</td>
<td>70.04</td>
<td>16.72</td>
</tr>
<tr>
<td>Uttaranchal</td>
<td>13</td>
<td>168</td>
<td>622</td>
<td>32.72</td>
<td>453.16</td>
<td>122.40</td>
<td>79.30</td>
<td>11.86</td>
</tr>
<tr>
<td>West Bengal</td>
<td>20</td>
<td>873</td>
<td>5189</td>
<td>39.77</td>
<td>630.31</td>
<td>106.04</td>
<td>69.33</td>
<td>14.57</td>
</tr>
<tr>
<td>Total</td>
<td>518</td>
<td>14446</td>
<td>69249</td>
<td>46.34</td>
<td>570.84</td>
<td>119.08</td>
<td>73.49</td>
<td>12.63</td>
</tr>
</tbody>
</table>

*Note: BP = Branch Productivity, SP = Staff Productivity

(K) Karnataka: The 13 RRBs covered 29 districts in the State and comprised of 1113 branches with a staff strength of 5715. As on March 31, 2004, the average CD ratio of the RRBs in the State was 83.17%, the recovery was 75.41% and the gross NPA stood at 9.81 %. The branch productivity and staff productivity are 573.88 lakhs and 111.76 lakhs respectively.

(L) Kerala: The 2 Regional Rural Banks covered 10 districts in the State and comprised of 353 branches with staff strength of 2546. As on March 31, 2004, the average CD ratio of the RRBs in the State was 95.49%, the highest amongst RRBs in the country, the recovery was 84.99% and the gross NPA stood at 7.52 %. The branch productivity and staff productivity are 844.45 lakhs and 117.08 lakhs respectively.

(M) Madhya Pradesh: The 19 Regional Rural Banks covered 47 districts in the State and comprised of 1053 branches with a staff strength of 4452. As on March 31, 2004, the average CD ratio of the RRBs in the State was 41.87%, the recovery was 72.49% and the gross NPA stood at 13.47 %. The branch productivity and staff productivity are 515.28 lakhs and 121.88 lakhs respectively.

(N) Maharashtra: The 10 Regional Rural Banks covered 20 districts in the State and comprised of 593 branches with staff strength of 2431. As on March 31, 2004, the average CD ratio of the RRBs in the State was 45.13%, the recovery was 64.22% and the gross NPA stood at 21.02 %. The branch
productivity and staff productivity are 406.72 lakhs and 99.21 lakhs respectively.

(O) Manipur: The State has only 1 RRB and is sponsored by United Bank of India, covering 9 districts, with 29 branches and staff strength of 96. As on March 31, 2004, the CD ratio of the RRB in the State was 2.97%, the recovery was 51.80% and the gross NPA stood at 38.32%. The branch productivity and staff productivity are 164.18 lakhs and 49.60 lakhs respectively.

(P) Meghalaya: The State has only 1 RRB and is sponsored by State Bank of India, covering 4 districts, with 51 branches and staff strength of 184. As on March 31, 2004, the CD ratio of the RRB in the State was 26.31%, the recovery was 54.30% and the gross NPA stood at 29.36%. The branch productivity and staff productivity are 435.42 lakhs and 120.69 lakhs respectively.

(Q) Mizoram: The State has only 1 RRB and is sponsored by State Bank of India, covering 8 districts, with 54 branches and staff strength of 175. As on March 31, 2004, the CD ratio of the RRB in the State was 40.36%, the recovery was 61.23% and the gross NPA stood at 24.02%. The branch productivity and staff productivity are 323.72 lakhs and 99.89 lakhs respectively.

(R) Nagaland: The State has only 1 RRB and is sponsored by State Bank of India, covering 5 districts, with 8 branches and staff strength of 27. As on
March 31, 2004, the CD ratio of the RRB in the State was 41.64 %, the recovery was 61.17% and the gross NPA stood at 24.42%. The branch productivity & staff productivity are 222.46 lakhs and 65.92 lakhs respectively.

(S) Orissa : The 9 RRBs covered 30 districts in the State and comprised of 831 branches with staff strength of 4197. As on March 31, 2004, the average CD ratio of the RRBs in the State was 58.84%, the recovery was 67.38% and the gross NPA stood at 13.97 %. The branch productivity and staff productivity are 562.76 lakhs and 111.42 lakhs respectively.

(T) Punjab : The 5 RRBs covered 16 districts in the State and comprised of 203 branches with staff strength of 746. As on March 31, 2004, the average CD ratio of the RRBs in the State was 45.99%, the recovery was 91.66%, the highest amongst RRBs in the country and the gross NPA stood at 4.77 %. The branch productivity and staff productivity are 668.25 lakhs and 181.84 lakhs respectively.

(U) Rajasthan : The 14 RRBs covered 34 districts in the State and comprised of 1010 branches with staff strength of 4333. As on March 31, 2004, the average CD ratio of the RRBs in the State was 45.00%, the recovery was 80.05% and the gross NPA stood at 8.38 %. The branch productivity and staff productivity are 506.60 lakhs and 118.09 lakhs respectively.

(V) Tamil Nadu : The 3 RRBs covered 10 districts in the State and comprised of 209 branches with staff strength of 1068. As on March 31, 2004, the average
CD ratio of the RRBs in the State was 84.98%, the recovery was 89.28% and the gross NPA stood at 4.21%, the lowest amongst RRBs in the country. The branch productivity and staff productivity are 697.53 lakhs and 136.50 lakhs respectively.

(W) Tripura: The State has only 1 RRB and is sponsored by United Bank of India, covering 4 districts, with 87 branches and staff strength of 702. As on March 31, 2004, the CD ratio of the RRB in the State was 29.30%, the recovery was 44.56% and the gross NPA stood at 27.54%. The branch productivity and staff productivity are 1083.94 lakhs and 134.33 lakhs respectively.

(X) Uttar Pradesh: The 36 RRBs covered 69 districts in the State and comprised of 2844 branches with staff strength of 14348. As on March 31, 2004, the average CD ratio of the RRBs in the State was 36.38%, the recovery was 70.04% and the gross NPA stood at 16.27%. The branch productivity and staff productivity are 627.58 lakhs and 124.40 lakhs respectively.

(Y) Uttaranchal: The 4 RRBs covered 13 districts in the State and comprised of 168 branches with staff strength of 622. As on March 31, 2004, the average CD ratio of the RRBs in the State was 32.72%, the recovery was 79.30% and the gross NPA stood at 11.86%. The branch productivity and staff productivity are 453.16 lakhs and 122.40 lakhs respectively.
(Z) West Bengal: The 9 RRBs covered 20 districts in the State and comprised of 873 branches with staff strength of 5189. As on March 31, 2004, the average CD ratio of the RRBs in the State was 39.77%, the recovery was 69.33% and the gross NPA stood at 14.57%. The branch productivity and staff productivity are 630.31 lakhs and 106.04 lakhs respectively.

2.7 Reforms and Restructuring of Regional Rural Banks

Regional Rural Banks play a major role in the rural financial sector. Since their inception in the 1970s, they have been seen as a vital means of dispensing credit to low income families in rural areas and have traditionally been assigned the primary responsibility for the outreach of government-sponsored lending schemes intended for poor rural families. Having been saddled with the twin burdens of directed credit and a restrictive interest rate regime, however, RRBs have historically incurred substantial losses. These losses were accentuated by politically motivated decision-making, emphasis on subsidized lending and an overall welfare-orientation expected of such institutions.

With the initiation of reforms in the early 1990s, the Indian banking sector saw a shift in approach. Private and foreign banks were allowed to establish and expand operations while profitability also became the major guiding principle for government-owned banks. The impact of this was seen in the subsequent policy decisions of the government and the Reserve Bank of India (RBI), many of which had a significant impact on RRBs. The important
policy landmarks during this period included asset quality classification and provisioning norms for RRBs (1995–96), rationalisation of the remuneration structure for RRB staff (that were brought at par with other commercial bank officers), guidelines on staffing (as part of the efficiency norms for RRBs), and relaxation on limits set for lending to the ‘priority sector’. These policies were formulated with the objective of improving the viability of the operating structure of RRBs for delivering financial services in rural areas. Through these changes, Regional Rural Banks were geared to treat their advances with more caution than in the past and repayment performance became a crucial operating parameter. However, other policy measures that were dictated by this concern for viability were also seen as diluting the traditional outreach objective of RRBs during the 1970s and 1980s. RRBs were, thus, allowed to relocate, merge or close down loss-making branches. Relocations or mergers were undertaken mostly from relatively inaccessible rural areas to more vibrant semi-urban locations. Licensing norms for opening new branches were relaxed, to the extent that some RRBs were even able to open branches outside their designated districts of operation. The impact of these measures was augmented through fresh infusions of public capital into the Regional Rural Banks during the late 1990s, to make up for the accumulated losses of the past. This, coupled with the viability orientation brought about through the supervisory authorities and the sponsor banks has resulted in the revival of the financial health of most of the RRBs during the late 1990s.
2.7.1 Merger of Regional Rural Banks

The Internal Working Group on Regional Rural Banks (RRBs) set up by the Reserve Bank of India has recommended merger of these banks to improve their operational viability and help them take advantage of economies of scale. The merged entities will have a larger area of operation and the merger process will help in strengthening some of the weak Regional Rural Banks.

After talking merger for well over a decade, the Central Government on September 12, 2005 issued a notification under the RRBs Act 1976, allowing for merger which should make RRBs a bit more efficient. In fact, an RBI Working Group on RRBs under Mr A.V. Sardesai, Executive Director, RBI, had pointed out "the RRBs Act 1976, does not specifically provide for the transfer of sponsorship from one sponsor bank to another. However, provisions have been made under Section 23A of the Act for the Central Government to effect amalgamation of RRBs. Accordingly, the Central Government may, after talks with the State Governments and the sponsor banks, amalgamate two or more RRBs into a single RRB in the public interest or in the interest of development of the area served by the RRBs or in the interest of RRBs themselves by notification in the Official Gazette. The process will bring down the number of RRBs through State-wise and sponsor bank-wise amalgamation and make it more convenient for the sponsor banks to manage the affairs of the RRBs."
The equity stakes of the Centre, State Governments and sponsor banks will remain unchanged in the ratio of 50:15:35. The working group under Mr Sardesai had repeated the idea of merger-amalgamation and added: "To improve the operational viability of Regional Rural Banks and take advantage of the economies of scale (by reducing transaction cost etc), the role of merger-amalgamation of RRBs may be considered taking into account the views of the various stakeholders. The merged entities will have a larger area of operation and the merger process will help in strengthening some of the weak Regional Rural Banks.

The Finance Minister Shri P. Chidambaram while addressing the members of Parliamentary Consultative Committee attached to his Ministry informed the members that the process for structural consolidation of Regional Rural Banks by amalgamating Regional Rural Banks sponsored by the same bank within a State started two years back has been completed in March 2007 and presently the number of Regional Rural Banks reduced to 96 from 196. As a result of amalgamation, the number of Regional Rural Banks making profits is increasing and they are in a position to provide better customer service with better infrastructure and pooling of experienced work force.

2.7.2 Formation of Assam Gramin Vikash Bank

There has been significant improvement in the financial parameters of many Regional Rural Banks (RRBs) in the region in the recent past because of increase in the level of business and containing incremental Non Performing
Assets (NPAs). Out of eight RRBs in the region, four RRBs posted profit during the year 2004-05 and remaining were in losses. The RRBs have 645 branches in the NER (30 per cent of total bank branches) and are naturally going to be extremely important players in the plan for financial inclusion. They need considerable strengthening in terms of manpower, capacity building and use of IT.

The problems faced by RRBs include lack of dynamism/motivation of the CEO, staff constraint in some of the RRBs, inadequate interest taken by sponsor banks, sub-optimal size and restrictions on expenditure for business promotion due to accumulated losses.

It is quite logical that instead of five Regional Rural Banks in Assam, one Regional Rural Bank would lead to well organized and technically sound capable institution for ensuring effective monitoring of the branches. The exposure limit of the credit of amalgamated RRB would be increased. Consequently, Regional Rural Banks would be able to compete with other strong banks offering different products similar to other large commercial banks including higher amount of credit to the Regional Rural Banks clientele. The Regional Rural Banks with stronger base can also withstand market fluctuations. With the extensive computerization of branches, controlling office and head office, better customer service will be ensured. Other steps like net working and ATM etc. can be adopted by the amalgamated RRB with sound financial base. Further the amalgamated Regional Rural Banks would be able
to reduce operational cost by rationalizing the manpower strength of head office and other controlling offices.

Assam Gramin Vikash Bank has been constituted on 12th January, 2006 following Government of India’s Notification amalgamating erstwhile 4 Regional Rural Banks, viz., Pragjiyotish Gaonlia Bank, Cachar Gramin Bank, Subansiri Gaonlia Bank and Lakhimi Gaonlia Bank in the State of Assam as per provision under section 23(A) of RRB Act, 1976. The operational area of Assam Gramin Vikash Bank consists of the entire area of operation of the aforesaid four amalgamated Regional Rural Banks and covers 25 districts out of 27 districts in the state of Assam barring only the two hill districts, namely, Karbi Anglong and North Cachar Hills. The sponsor bank of all the four Regional Rural Banks is United Bank of India (Assam Gramin Vikash Bank: 2006-07). The Board of United Bank of India has approved the merger proposal and recommended it to the Government. The bank has a total of 11 Regional Rural Banks - five in West Bengal, four in Assam and one each in Tripura and Manipur. It was decided that only the Regional Rural Banks in West Bengal and Assam will be merged into a single entity in each State while those in Tripura and Manipur will be left untouched. United Bank of India has amalgamated 4 sponsored Regional Rural Banks in the State of Assam on 12.01.2006 (United bank of India: 2006).

Table 2.4 shows the district wise number of branches of Assam Gramin Vikash Bank. The bank with its 354 number of branches covers 25 districts of
Assam. It may be mentioned here that the amalgamation have been made in the public interest and in the interest of the development of the area served by the aforesaid four banks and also in the interest of the said Regional Rural Banks themselves.

Table 2.4 District Wise Number of Branches of AGVB

<table>
<thead>
<tr>
<th>District</th>
<th>Number of Branches</th>
<th>District</th>
<th>Number of Branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kamrup</td>
<td>14</td>
<td>Sibsagar</td>
<td>22</td>
</tr>
<tr>
<td>Kamrup (Metro)</td>
<td>7</td>
<td>Jorhat</td>
<td>16</td>
</tr>
<tr>
<td>Sonitpur</td>
<td>29</td>
<td>Golaghat</td>
<td>23</td>
</tr>
<tr>
<td>Darrang</td>
<td>13</td>
<td>Nagaon</td>
<td>30</td>
</tr>
<tr>
<td>Udalguri</td>
<td>10</td>
<td>Morigaon</td>
<td>11</td>
</tr>
<tr>
<td>Nalbari</td>
<td>15</td>
<td>Dibrugarh</td>
<td>12</td>
</tr>
<tr>
<td>Baska</td>
<td>10</td>
<td>Tinsukia</td>
<td>8</td>
</tr>
<tr>
<td>Barpeta</td>
<td>17</td>
<td>Lakhimpur</td>
<td>16</td>
</tr>
<tr>
<td>Bongaigaon</td>
<td>9</td>
<td>Dhemaji</td>
<td>9</td>
</tr>
<tr>
<td>Kokrajhar</td>
<td>7</td>
<td>Cachar</td>
<td>19</td>
</tr>
<tr>
<td>Chirang</td>
<td>7</td>
<td>Hailakandi</td>
<td>8</td>
</tr>
<tr>
<td>Dhubri</td>
<td>13</td>
<td>Karimganj</td>
<td>17</td>
</tr>
<tr>
<td>Goalpara</td>
<td>12</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: www.ubi.com

The objectives set before the Regional Rural Banks remain intact for the newly formed AGVB also. So, the emphasis for developing the rural economy by providing for the purpose of agriculture, trade, industry and other productive
activities, credit and other facilities particularly to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs etc. and also to transact business as defined in section 18(2) of the Regional Rural Banks Act, 1976 as well as Banking Regulation Act, 1949 remain unchanged. (Assam Gramin Vikash Bank: 2005-06).

After amalgamation of the aforesaid Regional Rural Banks into AGVB, the newly formed bank has emerged as the largest bank in the state of Assam in terms of branch network. Further in terms of number of districts covered, AGVB tops the list of Regional Rural Banks in the entire country.

2.8 Cachar Gramin Bank

Cachar Gramin Bank was established on 31-03-1981 under the Regional Rural Banks act, 1976. The bank with its Head Office at Silchar has been extending banking facilities both to the rural and semi-urban areas of Barak Valley through its network of 44 branches.

The main thrust of rural banking is to cover up the most remote, rural and backward areas so as to extend the credit to the poor and the most neglected class of the rural society. The primary and the ultimate objective of the establishment of Regional Rural Banks is to make the banking services available within the reach of the rural masses. This calls for opening up of more number of branches in rural areas. Cachar Gramin Bank is the only bank of Barak Valley which has accepted this particular challenge and has set an
example in the area of branch banking within Barak Valley. The bank is involved in the development process of the area with its committed services to the weaker section of the society as desired by the Government through various schemes and production-oriented credit to all categories of borrowers. The bank also put emphasis on exploring the savings potentialities of the rural masses and encouraging the habit of thrift among them (Cachar Gramin Bank: 1998).

The main factors that impede banking and financial development are topography of the region, sparse settlements of population, infrastructural bottlenecks such as transport, communication and power, low level of commercialisation, lack of entrepreneurship, development strategy based on grants rather than loans, low network of branches, lack of simple customized and flexible financial products to suit the needs of the local population, poor loan recovery experience, lack of awareness of banking services etc.

Cachar Gramin Bank has been operating in red almost since inception barring initial one or two years. It has been operating through a network of 44 number of branches spread over the entire Barak Valley. The performance of the bank is at low ebb. The accumulated loss of the bank has gone to a level of Rs. 5.06 crores. No branch could show any sign of profit (Cachar Gramin Bank: 1994). This itself indicates the performance of the bank in a nutshell. The gloomy picture of the bank has attracted the attention of the higher
authorities who have ventilated a serious concern over the performance of the all-rural banks in general and Cachar Gramin Bank in particular.

Against the above backdrop Cachar Gramin Bank made the attempt to prepare a Development Action Plan to achieve a level of viability both in the short run and in the long run within a reasonable period of time (Cachar Gramin Bank: 1994). However, the position of the bank has been improved from the year 1998-99 as it could record a net profit in this year. Cachar Gramin Bank has set a trend of earning profit from the 1998-99 and the trend continues which ultimately help the bank to reduce its huge accumulated losses with substantial improvement in other spheres of activity (Cachar Gramin Bank: 2004). The brief profile of Cachar Gramin Bank is highlighted in this section.

2.8.1 Branch Network

Cachar Gramin Bank since its inception is involved in the development process of the area with its committed service to the persons for whom it was established. The area of operation of the bank is confined within three districts, i.e., Cachar, Karimganj and Hailakandi. Although the Regional Rural Banks are expected to do their banking business in rural and backward areas, Cachar Gramin Bank has a few branches in urban and semi-urban areas with a view to cater to the needs of the people. Table 2.5 reveals the district wise and area wise distribution of branches of Cachar Gramin Bank.
Table 2.5. Number of Branches of CGB

(As on 31st March, 2004)

<table>
<thead>
<tr>
<th>District</th>
<th>Rural Branches</th>
<th>Semi-Urban Branches</th>
<th>Total No. of Branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cachar</td>
<td>15 (78.95)</td>
<td>4 (21.05)</td>
<td>19 (100.00)</td>
</tr>
<tr>
<td>Karimganj</td>
<td>12 (62.50)</td>
<td>5 (37.50)</td>
<td>17 (100.00)</td>
</tr>
<tr>
<td>Hailakandi</td>
<td>5 (70.59)</td>
<td>3 (29.41)</td>
<td>8 (100.00)</td>
</tr>
<tr>
<td>Total</td>
<td>32 (72.73)</td>
<td>12 (27.27)</td>
<td>44 (100.00)</td>
</tr>
</tbody>
</table>

Note: Figures in Parenthesis indicate percentages to the total

Source: Cachar Gramin Bank, Annual Report, 2004

No extension counter or satellite branch was opened during last few years. Further, the bank neither refers any proposal to Reserve Bank of India or NABARD for opening up of any new branch during the year nor any proposal is pending with them (Cachar Gramin Bank: 2004).

The systematic branch expansion is extremely important for Regional Rural Banks for their business. It is necessary that Cachar Gramin Bank makes proper plan for its branch expansion programme and relocation of existing branches. Cachar Gramin Bank has stopped its branch expansion programme since 1991. But the haphazard and unplanned branch expansion of Cachar Gramin Bank in the initial years cannot be expected of much use to restructure the economy of the rural and unbanked areas of Barak Valley.
Therefore, it is worthwhile to suggest that Cachar Gramin Bank can rethink its existing location of branches and can also plan for the opening of new branches as well as relocation of some of the existing branches. Table 2.6 shows the district wise list of branches of Cachar Gramin Bank.

Table 2.6 List of Branches of CGB

<table>
<thead>
<tr>
<th>District : Cachar</th>
<th>Sl.No</th>
<th>Name of the Branch</th>
<th>Date of Opening</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>Silchar</td>
<td>30/12/1981</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>Banskandi</td>
<td>15/09/1982</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>Poilapool</td>
<td>26/11/1982</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>Behara Bazar</td>
<td>31/11/1982</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>Harinagar</td>
<td>02/03/1983</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>Bhaga Bazar</td>
<td>04/05/1983</td>
</tr>
<tr>
<td>Sl.No.</td>
<td>Name of the Branch</td>
<td>Date of Opening</td>
<td></td>
</tr>
<tr>
<td>-------</td>
<td>--------------------------</td>
<td>-----------------</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Salganga</td>
<td>29/12/1983</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Gumra</td>
<td>29/03/1983</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Cheragi Bazar</td>
<td>16/11/1984</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Barjatrapur</td>
<td>16/11/1984</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Motinagar</td>
<td>20/11/1984</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Srikona</td>
<td>29/12/1984</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Palonghat</td>
<td>27/03/1985</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Sonabarighat</td>
<td>29/03/1985</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Dwarbond</td>
<td>28/03/1985</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Irongmara</td>
<td>21/03/1985</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Karimganj Road</td>
<td>28/12/1985</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Sonai Road</td>
<td>26/03/1985</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Itkhola</td>
<td>27/08/1985</td>
<td></td>
</tr>
</tbody>
</table>

**District : Karimganj**

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Name of the Branch</th>
<th>Date of Opening</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Kaliganj</td>
<td>24/03/1982</td>
</tr>
<tr>
<td>2</td>
<td>Karimganj</td>
<td>30/04/1982</td>
</tr>
<tr>
<td>3</td>
<td>Nivia Bazar</td>
<td>01/09/1983</td>
</tr>
<tr>
<td>4</td>
<td>Baroigram</td>
<td>27/12/1983</td>
</tr>
<tr>
<td>5</td>
<td>Lowairpoa</td>
<td>27/12/1983</td>
</tr>
<tr>
<td>6</td>
<td>Bazarghat</td>
<td>20/03/1984</td>
</tr>
<tr>
<td>7</td>
<td>Duttapur</td>
<td>27/12/1984</td>
</tr>
<tr>
<td>8</td>
<td>Badarpur</td>
<td>27/12/1984</td>
</tr>
<tr>
<td>9</td>
<td>Kanai BazarAsimganj</td>
<td>25/03/1985</td>
</tr>
<tr>
<td>10</td>
<td>Gandhai Bazar</td>
<td>25/03/1985</td>
</tr>
<tr>
<td>11</td>
<td>Srigouri</td>
<td>26/03/1985</td>
</tr>
<tr>
<td>12</td>
<td>Sonakhira</td>
<td>30/09/1985</td>
</tr>
<tr>
<td>Sl.No.</td>
<td>Name of the Branch</td>
<td>Date of Opening</td>
</tr>
<tr>
<td>-------</td>
<td>--------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>1</td>
<td>Hailakandi</td>
<td>18/06/1982</td>
</tr>
<tr>
<td>2</td>
<td>Katakhal</td>
<td>30/07/1982</td>
</tr>
<tr>
<td>3</td>
<td>Kalacherra</td>
<td>29/12/1982</td>
</tr>
<tr>
<td>4</td>
<td>Zamira</td>
<td>16/03/1982</td>
</tr>
<tr>
<td>5</td>
<td>Algapur</td>
<td>17/06/1983</td>
</tr>
<tr>
<td>6</td>
<td>Manipur</td>
<td>26/12/1984</td>
</tr>
<tr>
<td>7</td>
<td>Kalibari Road</td>
<td>30/09/1982</td>
</tr>
<tr>
<td>8</td>
<td>Ratanpur Road</td>
<td>29/12/1998</td>
</tr>
</tbody>
</table>

Source: Annual Report, Cachar Gramin Bank, 2003 - 2004

2.8.2 Recruitment and Staff Position

There has been no new recruitment during the period under study. Manpower requirement was last assessed in 1991 on the basis of business position of 1988. Till now though business volume has gone up to an extent, no further assessment could be taken up considering the fact that the bank cannot undertake any recruitment owing to existing embargo.
### Table 2.7 Staff Position of CGB

<table>
<thead>
<tr>
<th>SL. NO</th>
<th>POST</th>
<th>SANCTION</th>
<th>EXISTING</th>
<th>NO OF SC/ST/PHC</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Officer (Scale I)</td>
<td>72</td>
<td>62</td>
<td>7</td>
</tr>
<tr>
<td>2</td>
<td>Officer (Scale II)</td>
<td>15</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>Clerk</td>
<td>67</td>
<td>56</td>
<td>7</td>
</tr>
<tr>
<td>4</td>
<td>Messenger Cum Peon</td>
<td>46</td>
<td>42</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>200</strong></td>
<td><strong>175</strong></td>
<td><strong>27</strong></td>
</tr>
</tbody>
</table>

*Source: Cachar Gramin Bank, Annual Report, 2003 - 2004*

### 2.8.3 Share Capital

The issued share capital of Cachar Gramin Bank is Rs. 1.00 crores following an increase by the Government of India during the financial year 1996-97. The proportionate share of the Government of India and the sponsor bank (United Bank of India) has been fully received while the share of the Government of Assam of Rs.3.75 lakhs is yet to be received (Cachar Gramin Bank: 1997).

In the financial year 1997-98, Cachar Gramin Bank has been sanctioned a sum of Rs. 126674 as additional share capital for cleansing the balance sheet and revamping the bank. The proportionate share of the Government of India and the sponsor bank of 50% and 35% have been received by the bank while the share of the Government of Assam of Rs. 3.75 lakhs is yet to be received.
The entire amount of the released portion has been kept in share capital deposit account.

### Table 2.8 Share Capital of CGB

<table>
<thead>
<tr>
<th>Head</th>
<th>Amount issued during the year</th>
<th>Amount issued upto the year</th>
<th>Amount received during the year</th>
<th>Amount issued upto the year</th>
<th>Amount Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share Capital</td>
<td>Nil</td>
<td>100.00</td>
<td>Nil</td>
<td>96.25</td>
<td>3.75</td>
</tr>
<tr>
<td>Share Capital Deposit</td>
<td>Nil</td>
<td>1266.74</td>
<td>Nil</td>
<td>1076.73</td>
<td>190.01</td>
</tr>
</tbody>
</table>

**Source:** Annual Report, Cachar Gramin Bank, 1994-95

The entire amount of Rs. 3.75 lakhs and Rs. 190.91 lakhs are due to be received from the Government of Assam although the fund was sanctioned during the year 1996-97 and 1997-98. All sorts of persuasion were carried on for an early release of the amount. In terms of Government of India’s guidelines for the purpose till the full amount is released by all shareholders/sponsors the total amount of share capital deposit received so far have to be put with the sponsor bank in short term deposit at a maximum rate of interest payable to customers in term deposits (Cachar Gramin Bank : 2004).
2.8.4 Development Action Plan and Memorandum of Understanding

The Government, Reserve Bank of India and NABARD have desired that Regional Rural Banks should adopt Development action Plan (DAP) aiming at viability within a period of five years. Accordingly, Cachar Gramin Bank also formulated a Development Action Plan in the year 1994-95 with an aim to attain viability by the end of the year 1998-99 and accordingly executed a Memorandum of Understanding with the Sponsor bank on 11th Feb, 1995. This action plan is recast every year. Action plan for every year is drawn up at the beginning of the year in terms of achievements during the previous year. Upto the end of the stipulated period, Cachar Gramin Bank was seriously planning and executing different measures and the sponsor bank (UBI) had been regularly monitoring and reviewing the progress on a quarterly basis (Cachar Gramin Bank: 1998). The year 1998-99 is significant for Cachar Gramin Bank since this year only bank could record a net profit and thus setting the trend rolling in the positive direction (Cachar Gramin Bank: 1999).

As per the commitment under Development Action Plan, the bank has executed all and has achieved a turnaround it projected therein. Now the task ahead is to sustain it and efforts are on to properly streamline it (Cachar Gramin Bank: 2004). It becomes extremely important that the employees of Cachar Gramin Bank will have to work sincerely and professionally in order to survive, grow and develop in future.

* * * * * * *
CHAPTER 3

PROFILE OF STUDY AREA
AND RESPONDENTS

3.1 Profile of Study Area
3.2 Profile of the Respondents