JOB OF REGIONAL RURAL BANK (RRB'S) IN THE ECONOMIC DEVELOPMENT OF INDIA

REKHA KUMAWAT*, MUKESH MAHAWAR**

ABSTRACT

In the near future, Rural India will turn into a greatest market of the world and it is changing like anything. Rustic improvement as a developing pattern is going to investigate potential outcomes in the country India. In our nation about 70% of the populace lives in provincial territories in approximately 6, 30,000 towns. There are states like UP, MP, Bihar and Orissa where provincial populace differs from 80 to 90%. It is a visit to the 75 crores individuals dwelling in the towns of India where they have trust, goals, needs and potential.

India's economy is overwhelmingly rustic in character. In the course of recent years provincial India has seen an expansion in the purchasing intensity of shoppers, joined by their longing to redesign their way of life. With the end goal to shape the present country situation there is a pressing need of updating different components like employability, education, water system, foundation, trend setting innovations, essential media transmission offices or more all need of effective money related framework.

The disorderly budgetary framework opens up the potential for saving money part incorporating private banks in country regions. For the equivalent, Reserve Bank of India and government in relationship with the different money related organizations has taken an activity to present Regional Rural Banks. They have been made to serve the country zones with powerful keeping money and monetary administrations. The fundamental motivation behind RRB's is to assemble budgetary assets from provincial/semi-urban zones and allow credits and advances for the most part to little and negligible ranchers, farming workers and country craftsman’s. The region of activity of RRBs is constrained to the zone as informed by Government of India covering at least one areas in the State.

The paper tries to focus the changing paradigm of the Indian rural economy and highlight how Regional Rural Banks can assist in restructuring the financial system in rural India.

*Research Scholar, Department of Commerce & Management, Madhav University, Pindwara, Sirohi.
**Associate Professor, Department of Commerce & Management, Madhav University, Pindwara, Sirohi.
Correspondence E-mail Id: editor@eurekajournals.com
The study will be literature based and would try to explore the possible impact of Bank in rural India and especially challenges and opportunities would be highlighted. This paper is based on secondary data.

**KEYWORD:** RRB’s, Rural India, Economic Development.

**INTRODUCTION**

The financial improvement in India pursued communist motivated approaches for the greater part of its autonomous history, including state-responsibility for areas; India’s per capital salary expanded at just around 1% annualized rate in the three decades after Independence. Since the mid-1980s, India has gradually opened up its business sectors through monetary progression. After more major changes since 1991 and their reestablishment during the 2000s, India has advanced towards a free market economy.

India lives in its towns, and keeping in mind that the urban communities have become massively throughout the most recent 20 years, rustic territories have not seen that sort of improvement. For India’s economy to be solid, the provincial economy needs to develop. Rural areas are still plagued by problems of malnourishment, illiteracy, unemployment and lack of basic infrastructure like schools, colleges, hospitals sanitation, etc. Our villages need to grow in tandem with cities and standard of life has to improve there for inclusive growth to happen. If rural India is poor, India is poor.

Rustic improvement isn’t simply advancement of country zones yet in addition the advancement of the provincial individuals into confident and self-supporting present day little networks. Rustic improvement in the nation is intended to upgrade the financial living conditions for the general population living in provincial India while saving their way of life and rich custom. The Government looks to accomplish higher targets identified with rustic generation, work and higher expectations for everyday comforts which will make ready for all round financial improvement of the nation. This incorporates setting up fundamental framework and offices, for example, therapeutic offices, schools, and transport offices, aside from plan execution identified with enhancing provincial business, rural efficiency and country industrialization.

The provincial populace in India experiences a lot of obligation and is liable to misuse in the credit showcase because of high loan fees and the absence of helpful access to credit. Provincial families require credit for putting resources into agribusiness and smoothening out occasional changes in income. Since money streams and funds in country regions for the greater part of family units are little, provincial families ordinarily will in general depend using a credit card for other utilization needs like instruction, nourishment, lodging, family unit capacities, and so forth. Country family units require access to monetary organizations that can give them credit at lower rates and at sensible terms than the customary cash moneylender and consequently enable them to maintain a strategic distance from obligation traps that are regular in provincial India.

The Regional Rural Banks have been developing in significance since their commencement in 1975 as exceptional establishments assuming an impetus job in the improvement of rustic regions. They have been assuming a noteworthy job in financing the weaker segments of the network in the country territories and furthermore in teaching keeping
money propensity among provincial masses. Territorial Rural Banks were set up with a view to building up the provincial economy by giving credit and different offices, especially to the little and minimal ranchers, farming workers, crafts mans and little business visionaries. Being neighborhood level establishments, RRBs together with business and co-agent banks, were allocated a basic task to carry out in the conveyance of farming and provincial credit.

The RRBs' were built up, "with a view to build up the rustic economy by accommodating the motivation behind improvement of agribusiness, exchange, business, industry and other profitable exercises in the country territories, credit and different offices, especially to little and peripheral ranchers, horticultural workers, craftsmans and little business visionaries and for issues associated therewith and accidental thereto." (The RRB Act, 1996).

It very well may be confirmed that the RRBs were set up as another arrangement of State supported, provincial situated, district based, minimal effort banks, having the ethos of cooperatives and business keenness of business banks for giving credit in country regions, especially to the important weaker areas of the general public. It is reasonable for say that RRBs have prevailing with regards to spreading the saving money administrations to far flung provincial regions, activating rustic investment funds, opening up new roads for country poor through institutional credit and producing work openings. Be that as it may, the command of financing just their objective gathering borrowers, combined with a controlled loan fee structure, poor recuperation execution, expanding foundation cost, and low dimension of operational productivity have brought about RRBs bringing about misfortunes and losing their money related feasibility from their origin.

AIMS AND OBJECTIVE

This paper centers around featuring the phenomenal job of the Regional Rural Banks in the upliftment of the provincial India. It means to comprehend the important commitment of these banks towards satisfying the goals of advancement and improvement of the general nature of the rustic life through fitting improvement of labor assets, infrastructural offices and arrangement of least needs and occupation.

RATIONALE

The motivation behind the examination is to distinguish the difficulties and limitations looked by the Indian Rural Economy, and how by incorporating the thought of provincial credit, through the channels of RRBs, these are defeated effectively. In addition to investigate the difficulties and openings that anticipates these banks.

RESEARCH METHODOLOGY

With the end goal to accomplish the exploration targets the mix of deductive and inductive research approach is chosen, though subjective research strategy is used. The exploration depends on just publically accessible data which has been considered. With the end goal to satisfy proposed destinations information on different actualities identified with the RRBs and Rural India is been given the assistance of writing survey. The information is gathered utilizing optional technique to satisfy distinctive issues identified with research subject from the distributed articles, diaries, reports, sites, online journals and scholastic written works.

LITERATURE REVIEW

Institutional fund is the backbone of current financial framework without which no
framework can endure. In agrarian advancement likewise its job is vital. Satisfactory institutional credit is viewed as the most imperative factor, which if reasonably gave, will go far to put the economy of the ranchers particularly the little and negligible agriculturists on a sound balance (Selvaraj 1998). So horticulture and rustic advancement has been on the need motivation of our strategy producers since autonomy and extensive endeavors have been made to build up the provincial acknowledge framework as methods for country improvement (Joshi 1997, Tyagi and Singh 1998).

The term country advancement alludes to a wide exhibit of formative projects went for creating provincial zones through the production of foundation offices to enhance the state of rustic individuals. The simple idea of country improvement on the worldwide dimension had its cause in the mid seventeenth century in England. A gathering of individuals called 'Quakers' or companions sorted out themselves on the standards of caring penance. They had faith in the poise of every person. This reasoning was engendered all through the world.

Rustic improvement is, along these lines, the advancement of country zones so that every part of provincial life alters in a coveted course and in sensitivity for the other segment. In addition, provincial improvement likewise incorporated organized changes in the financial circumstance in the rustic zones all together that human welfare, which is the essential objective of all advancement, is anchored at the most punctual. It has been the steady undertaking of the organizers to give sufficient push to country advancement as the division is specifically identified with agribusiness.

**HOW INDIA LIVES IN VILLAGES?**

Indian Rural Development Report 2012-13 discharged in October 2013 by country advancement serve Jairam Ramesh features that the development rate of provincial per capita utilization climbed exponentially over the most recent seven years. Be that as it may, as indicated by the report, provincial India still fights with destitution and absence of fundamental foundation.

**[A] POVERTY CONCENTRATED IN CERTAIN REGIONS, SOCIAL GROUPS**

- Poverty amassed in specific areas, social gatherings.
- 80% of BPL populace lives in rustic territories.
- In 1993-94, almost half of the rustic poor lived in seven states-Jharkhand, Bihar, Assam, Orissa, Chhattisgarh, MP and UP.
- This rose to 65% in 2011-12, however states like Bihar, Chhattisgarh and Uttar Pradesh have lessened destitution altogether since 2009-10.
- 44% of the provincial poor in 2009-10 go under booked ranks and planned clans.

**[B] ACCESS TO WATER, ELECTRICITY AND SANITATION**

- 18% of provincial family units approach every one of the three essential administrations-drinking water inside premises, sanitation and power.
- 45% of rural households lack electricity connections
- 70% of provincial families need sanitation offices
- 20% have none of the three fundamental administrations.

**[C] NEED TO GROW NEW METHODOLOGIES FOR RANCH WORK**

- 18% of provincial families depend on non-cultivate work as significant wellsprings of their job.
• Income from homestead job not adequate for family units.
• Encourage new product models, restore conventional harvests like millet.
• Various kinds of aggregate cultivating enable little ranchers to defeat issues of scale, shaky land tenure and poor access to credit, present day supply chains and capacity.

Regional Rural Banks (RRBs) were built up in the year 1975 as a minimal effort monetary intermediation structure in the country territories to guarantee adequate stream of institutional credit for horticulture and other provincial segments. RRBs were relied upon to have the neighborhood feel and recognition of the agreeable keeps money with the administrative mastery of the business banks.

The worldwide money related emergency and the present Euro zone emergency have influenced the banks in the propelled economies; the overflow is thinking about banks in developing economies including India. Issues of money related solidness, monetary development and overseeing swelling are the real difficulties going up against controllers in cutting edge economies and are similarly essential for rising economies like our own. Worldwide financial development has impeded from 3.9% in 2011 to 3.2% in 2012. We are not unaffected by what occurs in whatever is left of the world. Our economy too has hindered after 2010-11.

In the present year CSO has anticipated a development estimation of 5% while the RBI has put it at 5.5%. As the Finance Minister, Mr. P. Chidambaram has properly put it "Whatever be the last gauge it will be beneath India’s potential development rate of 8%, returning to that development rate will be the test that faces the nation". This is obviously not achievable if expansive segments of society remain minimized and individuals who need access to budgetary administrations from Institutional specialist organizations are not mainstreamed. The test of money related consideration introduces an intonation point for Indian keeping money.

The greatest test for one decade from now or more to banks in the nation is to catch the managing an account business of over half populace of this nation of more than 120 billion individuals.

**RESEARCH ANALYSIS**

69% of populace of India lives in country territory. This populace contributes fundamentally both as customer and work. Advancement of the nation goes for building up all divisions and it goes for comprehensive development. Rustic India is loaded with potential there is a requirement for advancement of this territory and legitimate managing an account bolster from the RRB's can encourage much. In the event that the essential obstacles are survived, unquestionably we can have a reasonable development of country and urban India.

Rural financial system is a powerful instrument and a prerequisite in accelerating the developmental activities in rural areas. It works through two arrangements of establishments in the sorted out and sloppy areas. The chaotic segment comprises of nearby cash loan specialists, proprietors, dealers, shippers and so on; in which case no viable control can be practiced by the administration. They generally work in a self-governing style with its very own standards and control. The offices in the sloppy division in our towns have still a commanding position in provincial back (Joshi 1997, Singh et. al; 2001, Jeromi 2002). They charge extravagant rates of intrigue and they keep on misusing the poor provincial masses. The circumstance brought about the development of institutional
organizations in country credit under the control and bearing of the legislature. Ministry of Rural Development Budgetary, Allocations & Expenditure; 2009-10 to 2013-14.

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Diagram Source: Union Budget 2013-14

Figure Shows in Rs cr: RE: Revised Estimates, BE: Budget Estimates

The various services RBI in assistance with the commercial banks offers under RRB’s in the rural areas:

- Loans
- Savings
- Pensions
- Remittance of funds
- Insurance
- Credit cards
- Financial counseling
- Risk mitigation products

OFFICES OF COMMERCIAL BANKS IN INDIA 2006-2012

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This file prepare by Master office file (latest updated) on commercial banks, Department of statistics and information management, RBI.

ROLES OF RRB’S

The significance of the provincial keeping money in the monetary improvement of a nation can’t be neglected. As Gandhiji said "Genuine India lies in towns," and town economy is the foundation of Indian economy. Without the improvement of the provincial economy, the destinations of financial arranging can’t be accomplished. Hold Bank of India in relationship with the other business
banks has taken different activities to set up the prepared money related framework in the country India by offering different credits offices for Crops (Short-term Loans) and Agriculture and Allied Activities (Term-Loans). With the end goal to smoothen the framework, RRB assumes the key job by giving the accompanying administrations:

1. OPENING OF NO-FRILLS ACCOUNTS: Basic saving money no nonsense record with nil or low least equalization and saving money charges that make such records available to huge areas of the rustic populace. RRBs are giving little overdrafts in such records.

2. RELAXATION ON KNOW-YOUR-CLIENT (KYC) NORMS: Since August 2005, KYC prerequisites for opening financial balances were loose for little records. RRBs are presently allowed to accept any proof with regards to the character and deliver of the client agreeable to them. It has now been additionally loose to incorporate the letters issued by the Unique Identification Authority of India containing subtle elements of name, address and Aadhaar number.

3. GENERAL CREDIT CARDS (GCCS): WITH A VIEW TO HELPING POOR PEOPLE AND THE IMPEDED COUNTRY INDIVIDUALS WITH ACCESS TO SIMPLE credit, RRBs presented universally useful charge card office up to 15,000 at their rustic and semi-urban branches. The goal of the plan is to give bother free credit to the clients dependent on the appraisal of income without emphasis on security, reason or end utilization of the credit.

4. ENGAGING BUSINESS CORRESPONDENTS (BCS): In January 2006, RBI allowed planned business banks to draw in business facilitators (BFs) and business reporters (BCs) as go-betweens for giving money related and managing an account administrations. The BC display enables banks to give doorstep conveyance of administrations, particularly money in real money out exchanges, in this manner tending to the last-mile issue. The rundown of qualified people and elements that can be locked in as BCs is being broadened occasionally.

CHALLENGES FOR THE RRB’S

- MODERATE ADVANCEMENT: The advancement of RRB’s isn't upto the desire and is moderate when contrasted and different sorts of banks in view of numerous confinements on their activities. For example till 1996, RRB’s were allowed to loan just under need segment plans.

- LIMITED EXTENT OF SPECULATION: The fundamental target of RRB's was to give
credit offices to poor and weaker segments of society. They were initially having restricted extension to contribute their surplus assets uninhibitedly.

- **DELAY IN BASIC LEADERSHIP:** The RRB’s are controlled straightforwardly and by implication by different organizations, for example, the supporting bank, NABARD, RBI, other than Central Government. In this manner, it sets aside a long opportunity to take choices on some critical issues. This thusly influences the advancement of RRB’s. In any case, since 1997, the operational obligation of RRB’s has been passed on to support bank.

- **LACK OF CO-ORDINATION:** Lack of co-appointment between the RRBs and sports or banks with respect to branch development, approach making, and so forth., are additionally the critical foundations for the moderate advancement of RRBs.

- **DIFFICULTIES IN STORE MOBILIZATION:** The RRBs are going for taking into account the requirements of poor and are not serving the necessities of the rich. Thus, the RRBs are not ready to draw in the store from that potential area.

- **LACK OF PREPARING OFFICES:** Generally the staff of RRBs is urban-arranged and they may not know the issues and states of rustic territories. Absence of preparing office concerning these territories additionally influences the development of RRBs.

- **POOR RECUPERATION RATE:** The recuperation execution of the RRBs isn’t up to the stamp. The rate of recuperation in regard of numerous RRBs is around 55 percent as it were.

- **CAPITAL DEFICIENCY:** The capital sufficiency is the specific premise to budgetary soundness. There is capital insufficiency in RRBs as the greater part of the RRBs have enormous misfortunes in their Balance Sheet destroying all the Capital of RRBs.

**STEP FOR IMPROVEMENT**

The Regional rural Banks in order to provide regularized services and to ensure the development of the rural India must take the following steps:

1. These banks must try to reach out to the needy through micro-credit and Self-Help Groups.
2. It shall provide easy and affordable services through the best use of technology.
3. Expand its span in the provincial regions through substitute channels.
4. Attention should be given to the financial inclusion of unbanked rural area.
5. Improvement in service levels in rural areas

**CONCLUSION**

Improvement of the rustic economy is fundamental with the end goal to guarantee a reasonable financial development. The different issues looked by the country division, for example, absence of education, absence of access to essential administrations of power, sanitation, drinking water and so forth can be survived if sufficient credit offices are given.

The activity taken by the RBI to set-up the Regional Rural Banks and other such banks to advance managing an account in the provincial India has come as a blast for these zones. In the present examination, the job of RRBs in the country credits structure has been profoundly dissected. The country credit structure comprises of need part and the non-need segment. There has been huge accomplishment in dispensing advances to both the parts. In spite of the fact that the banks are not left immaculate by the difficulties, yet an adequate measure of chance is holding up to be gotten a handle on by these banks.
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