Regional Rural Banks:

Introduction

Regional Rural Banks were established under the provisions of an Ordinance promulgated on the 26th September 1975 and the RRB Act, 1976 with an objective to ensure sufficient institutional credit for agriculture and other rural sectors. The RRBs mobilize financial resources from rural / semi-urban areas and grant loans and advances mostly to small and marginal farmers, agricultural labourers and rural artisans. The area of operation of RRBs is limited to the area as notified by GoI covering one or more districts in the State.

RRBs are jointly owned by GoI, the concerned State Government and Sponsor Banks (27 scheduled commercial banks and one State Cooperative Bank); the issued capital of a RRB is shared by the owners in the proportion of 50%, 15% and 35% respectively. Reform Process

RRBs started their development process on 2nd October 1975 with the formation of a single bank (Prathama Grameen Bank). As on 31 March 2006, there were 133 RRBs (post-merger) covering 525 districts with a network of 14,494 branches. RRBs were originally conceived as low cost institutions having a rural ethos, local feel and pro poor focus. However, within a very short time, most banks were making losses. The original assumptions as to the low cost nature of these institutions were belied.

When the reform process in the banking sector was initiated, RRBs were taken up for a close look. The GoI in consultation with RBI and NABARD started the reform process thru' a comprehensive package for RRBs including cleansing their balance sheets and recapitalising them. Extant lending restrictions were removed and space and variety available for investment of their surplus funds was expanded. Simultaneously, a number of human resource development and Organisational Development Initiatives (ODI) were taken up by NABARD with funding support of the Swiss Development Corporation (SDC) and with the tools of training and exposure visits, ODI, technology support, computerization and use of IT, system development, etc. for business development and productivity improvement. By end March 2005, there was a remarkable improvement in the financial performance of RRBs as compared to the position prevailing in 1994-95. The number of banks reporting profits went up to 166 of the 196 RRBs. As on 31 March 2006, of the total 133 RRBs (post merger), 111 posted profits and 75 of these RRBs were sustainably viable organisations having no accumulated losses as also posting current profits.

Go I initiated the process of structural consolidation of RRBs by amalgamating RRBs sponsored by the same bank within a State as per the recommendations of the Vyas Committee (2004). The amalgamated RRBs were expected to provide better customer service due to better infrastructure, computerization of branches, pooling of experienced work force, common publicity / marketing efforts, etc. and also derive the benefits of a large area of operation, enhanced credit exposure limits and more diverse banking activities. As a result of the amalgamation, the number of RRBs was reduced from 196 to 133 as on 31 March, 2006 and to 96 as on 30 April 2007. Thus, 59 under the amalgamation process, 145 RRBs have been amalgamated to form 45 new RRBs. District Coverage

RRBs covered 525 out of 605 districts as on 31 March 2006. After amalgamation, RRBs have become quite large covering most parts of the State in many cases. Assam Gramin Vikas Bank, an amalgamated RRB, covers 25 districts, the highest in the country, while five other amalgamated RRBs cover 10 or more districts each. However, 40 RRBs covered two districts and 16 RRBs covered a single district each in 2005-06. Increased coverage of districts by RRBs makes them an important segment of the Rural Financial Institutions (RFI) for financial inclusion. Branch Network 5.07 The number of branches of RRBs increased to 14,494 as on 31 March 2006 from 13,920 branches as on 31 March 1989. The network of the 45 amalgamated RRBs (as on April 2007) was quite large and diverse varying from 85 to 680 branches. The Uttar Bihar KGB, an amalgamated RRB, has 680 branches, followed by Baroda Eastern UPGB with 539 branches. The branch network of stand-alone RRBs varied between 8 and 242 as on 31 March 2006.

NABARD

The importance of institutional credit in boosting rural economy has been clear to the Government of India right from its early stages of planning. Therefore, the Reserve Bank of India (RBI) at the insistence of the Government of India, constituted a Committee to Review the Arrangements For Institutional Credit for Agriculture and Rural Development (CRAFICARD) to look into these very critical aspects. The Committee was formed on 30 March 1979, under the Chairmanship of Shri B. Sivaraman, former member of Planning Commission, Government of India.

The Committee's interim report, submitted on 28 November 1979, outlined the need for a new organisational device for providing undivided attention, forceful direction and pointed focus to credit related issues linked with rural development. Its recommendation was formation of a unique development financial institution which would address these aspirations and formation of National Bank for Agriculture and Rural Development (NABARD) was approved by the Parliament through Act 61 of 1981.

NABARD came into existence on 12 July 1982 by transferring the agricultural credit functions of RBI and refinance functions of the then Agricultural Refinance and Development Corporation (ARDC). It was dedicated to the service of the nation by the late Prime Minister Smt. Indira Gandhi on 05 November 1982. Set up with an initial capital of Rs.100 crore, its' paid up capital stood at Rs.14,080 crore as on 31 March 2020. Consequent to the revision in the composition of share capital between Government of India and RBI, NABARD today is fully owned by Government of India.

Particulars of its organization, functions and its duties NABARD is a Development Bank with a mandate for providing and regulating credit and other facilities for the promotion and development of agriculture, small-scale industries, cottage and village industries, handicrafts and other rural crafts and other allied economic activities in rural areas with a view to promoting integrated rural development and securing prosperity of rural areas, and for matters connected therewith or incidental thereto. In discharging its role as a facilitator for rural prosperity, NABARD is entrusted with 1. Providing refinance to lending institutions in rural areas 2. Bringing about or promoting institutional development and 3. Evaluating, monitoring and inspecting the client banks Besides this pivotal role, NABARD also: Acts as a coordinator in the operations of rural credit institutions• Extends assistance to the government, the Reserve Bank of India and other organizations in• matters relating to rural development Offers training and research facilities for banks, cooperatives and organizations working in the• field of rural development Helps the state governments in reaching their targets of providing assistance to eligible• institutions in agriculture and rural development Acts as regulator for cooperative banks and RRBs• Some of the milestones in NABARD's activities are: A. Business Operations: Production Credit: NABARD sanctioned aggregating of 66,418 crore short term loans to• Cooperative Banks and Regional Rural Banks (RRBs) during 2012-13, against which, the maximum outstanding was 65,176 crore. Investment Credit : Investment Credit for capital formation in agriculture• & allied sectors, non-farm sector activities and services sector to commercial banks, RRBs and co-operative banks reached a level of 17,674.29 crore as on 31 March 2013 registering an increase of 14.6 per cent, over the previous year.

Kisan Credit Card

is one of the most innovative, widely accepted, highly appreciated and non –discriminatory banking product, with the aim to finance the agricultural sector. This paper is carried out with a objective of over viewing the Kisan Credit Card in Agriculture. It is observed that Kisan Credit Card within a short span of time has established itself as a fairly popular credit facility among the farming community. It is expected that this would help the farmers to gain easy and timely access to much desired institutional credit and KC Card has been appreciated and accepted both by the bankers as well as the farmers. The Government of India may overview the implementation of KCC in India and take all possible steps to help the growth of the agricultural sector in India.

Consequent upon the announcement in the budget speech for the year 1998-99, NABARD, in consultation with major banks, formulated a model scheme for issue of Kisan Credit Card (KCC). The scheme aimed at adequate and timely financial support in a flexible and cost effective manner from the banking system to the farmers for their cultivation needs including purchase of inputs. The scheme was circulated to banks by RBI/NABARD. As at the end of December 2000 about 1 crore KCCs have been issued surpassing the target of 75 lakh fixed in the budget for the year 2000-01. The present study was conducted by Bankers Institute of Rural Development (BIRD), Lucknow at the instance of Planning Commission of India with the objectives of: (a) Review the progress of the scheme particularly from the angle of its geographical spread, bank wise progress, coverage of different categories of farmers. (b) Assess the overall impact on flow of ground level credit. The Study also aimed at examining the difficulties and operational problems in the smooth implementation of the scheme. The detailed TOR of the study have been given at para 2.3 of the main report.