

Regional Rural Bank – An Analytical Study

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I. Introduction :

Regional Rural Banks (RRBs) are Indian Scheduled Commercial Banks (Government Banks) operating at regional level in different States of India . They have been created with a view of serving primarily the rural areas of India with basic banking and financial services. The Regional Rural Banks (RRBs) were established in 1975 under the provisions of the Ordinance promulgated on 26th September, 1975 and Regional Rural Banks Act, 1976 with a view to developing the rural economy by providing, for the purpose of development of agriculture, trade, commerce, industry and other productive activities in the rural areas, credit and other facilities, particularly to small and marginal farmers, agricultural laborers, artisans and small entrepreneurs, and for matters connected therewith and incidental thereto. However, RRBs may have branches set up for urban operations and their area of operation may include urban areas too.

Regional Rural Banks :

The area of operation of RRBs is limited to the area as notified by Government of India covering one or more districts in the State. RRBs also perform a variety of different functions. RRBs perform various functions in following heads:

- Providing banking facilities to rural and semi-urban areas.
- Carrying out government operations like disbursement of wages of MGNREGA workers, distribution of pensions etc.
- Providing Para-Banking facilities like locker facilities, debit and credit cards, mobile banking, internet banking, UPI etc.

Organizational Structure of Regional Rural Bank :

The organizational structure for RRB's varies from branch to branch and depends upon the nature and size of business done by the branch. The Head Office of an RRB normally had three to nine departments.

The following is the decision making hierarchy of officials in a Regional Rural Bank -

- Board of Directors
- Chairman & Managing

Director

- | | |
|--|---|
| <input type="checkbox"/> General Manager | <input type="checkbox"/> Manager |
| <input type="checkbox"/> Assistant General Manager | <input type="checkbox"/> Officer |
| <input type="checkbox"/> Regional Manager/Chief | <input type="checkbox"/> Office Assistant |
| <input type="checkbox"/> Manager | <input type="checkbox"/> Office Attendant |
| <input type="checkbox"/> Senior Manager | |

Amalgamation :

Currently, RRB's are going through a process of amalgamation and consolidation. 25 RRBs have been amalgamated in January 2013 into 10 RRBs. This counts 67 RRBs till the first week of June 2013. This counts 56 as of March 2015. On 31 March 2016, there were 56 RRBs (post-merger) covering 525 districts with a network of 14,494 branches. All 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. This may be again amalgamated in near

future. With the third phase of amalgamation of RRB bringing down the number of such entities to 38 from 56. As of 1st April 2020, there are 43 RRBs in India.

Regulation of the Regional Rural Banks in India :

1. Reserve Bank of India: The RBI Act 1934 and the Banking Regulation Act 1949 are two principal regulating statutes for commercial banks in India.
2. NABARD: It stands for National Bank for Agricultural and Rural Development of India is the chief body for regulating rural banking sector in India.

NABARD was established on July 12, 1982, by the RBI with an objective to improve the credit flow concentrated in the urban areas to the rural and semi-urban areas of India.

Its major functions are monitoring, policy making, planning the activities and credit system of the rural banks. NABARD also helps rural banks in their development and supervises their activities on a timely basis.

References:

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