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Regional Rural Banks

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Why is in news? Union Finance Minister Nirmala Sitharaman chairs review meeting of Regional Rural Banks from Southern Region, in Chennai

The Union Finance Minister chaired a meeting with Chairpersons and senior officials of Regional Rural Banks from Southern Region, in Chennai. The deliberations revolved **around financial performance** of Regional Rural Banks as DFS Secretary gave a presentation on various financial metrics of the RRBs.

Finance Minister stressed that the Regional Rural Banks should **continue their focus on the flagship schemes** of the Central Government such as Pradhan Mantri Jeevan Jyoti Bima Yojana, Pradhan Mantri Suraksha Bima Yojana, PM SVANidhi, Atal Pension Yojana, PM Jan Dhan Yojana, PM Mudra Yojana, Kisan Credit Cards (KCC), KCC Animal Husbandry & Fisheries, etc and aim for their saturation.

While highlighting that the CD Ratio, Gross NPAs, and Provision Coverage Ratio (PCR) of Regional Rural Banks of the Southern region was better than the national average, exhorted the RRBs and Sponsor Banks to improve Current and Savings Account (CASA) Ratio of RRBs.

About RRB:

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**.

RRBs are financial institutions which **ensure adequate credit for agriculture and other rural sectors**.

The RRBs were established as per the **recommendations of the Narasimham Committee** to cater to the rural credit needs of the farming and other rural communities.

The **Prathama Grameen Bank** was the first bank to be established on 02nd October 1975. The Syndicate Bank became the first commercial bank to sponsor the Prathama Grameen Bank RRB.

The RRBs **combine the characteristics of a cooperative** in terms of the familiarity of the rural problems **and a commercial bank** in terms of its professionalism and ability to mobilise financial resources.

After the reforms in the 1990s, the government in 2005-06 initiated a consolidation program that resulted in the number of RRBs declining from 196 in 2005 to 43 in FY21, and 30 of the 43 RRBs reported net profits.

Objectives of RRBs:

To provide **cheap and liberal credit facilities** to small and marginal farmers, agriculture labourers, artisans, small entrepreneurs and other weaker sections To save the rural poor from the moneylenders.

To act as a catalyst element and thereby accelerate the economic growth in the particular region.

To **cultivate the banking habits** among the rural people and mobilize savings for the economic development of rural areas.

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To **increase employment opportunities** by encouraging trade and commerce in rural areas. To encourage entrepreneurship in rural areas.

To **develop underdeveloped regions** and thereby strive to remove economic disparity between regions.

Identify the financial need especially in rural areas.

Operation:

Regional Rural Banks (RRBs) are **government owned scheduled commercial banks** of India that **operate at regional level** in different states of India.

The **area of operation is limited** to the area notified by the government of India covering, and it **covers one or more districts** in the State.

However, RRBs **also have urban branches**.

Ownership:

The equity of the Regional Rural Banks is held by the stakeholders in a fixed proportion. This proportion is **50:35:15**, distributed as: Central Government – 50%, Sponsor Bank – 35%, State Government – 15%

Functions:

RRBs **perform various functions** such as providing banking facilities to rural and semi-urban areas, carrying out government operations like disbursement of wages of MGNREGA workers and distribution of pensions, providing para-banking facilities like locker facilities, debit and credit cards, mobile banking, internet banking, and UPI services.