

# STATUS OF REGIONAL RURAL BANKS AND CO-OPERATIVES IN THE RURAL DEVELOPMENT OF INDIA

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## ABSTRACT:

*The term rural development connotes overall development of rural areas to improve the quality of life of rural people. It is multidimensional concept and encompasses the development of agriculture and allied activities, village and cottage industries and crafts, socio-economic infrastructure, community services and facilities and above all human resources in rural areas. Rural development is the end-result of interactions between various physical, technological, economic, social, cultural and institutional factors. The Co-operative banking institutions take deposits and lend money in most parts of the country. They Follows all prudential assistances to the people with small means to protect them from the debt trap of the money lenders. It's a financial entity which belongs to its members who are the same time the owners and the members of the bank. They work on the basis of "no profit no loss".*

*Regional Rural Banks are local level banking organizations operating in different States of India. The aim of this programme was for "devising alternative agencies to provide institutional credit to landless labourers, rural artisans and small & marginal farmers and to liquidate rural indebtedness of those classes of people. RRBs were established to help integrated rural development. A RRB endeavors to integrate inputs viz; infrastructure, extension services and credit which constitute a scheme to integrate package activities towards the goal of achieving integrated rural development." The objective of the paper to study the status and role of RRBs and co-operative banks in the rural development in India. Also evaluate the performance and progress of it. I used the secondary data of statistical reports, books, and articles related to Cooperatives and RRBs, to cover this topic.*

**Keywords:** *RBI, Integrate inputs, rural development, RRBs, Co-operative societies.*

## INTRODUCTION:

Co-operative banks do banking business mainly in the agriculture and rural sector. However, Urban Co-operative and Central Co-operative Banks operate in semi urban, urban and metropolitan area as well. The urban and non-agricultural business of these banks has grown over the years. The co-operative banks demonstrate a shift from rural to urban, while the commercial banks from urban to rural.

Failure of co-operatives and commercial banks to meet the growing credit requirements of the small and marginal farmers, rural artisans and farm labourers in rural areas is the rationale behind the origin of RRBs. The announcement of the twenty point program on 1st July 1975 provided an opportunity for the setting up of some kind of a new institutional arrangement like rural banks for providing rural credit. This was considered one of the major structural changes in rural banking in India. Based on the recommendations of the banking commission and the working group of the Government of India established Regional Rural Banks in the year 1975, under the RRBs act 1976.

It is the state sponsored bank, regionally based and rural oriented commercial banks have taken birth in rural India which is popularly known as "Regional Rural banks". The basic purpose of the RRBs was to bring progress with social justice to the rural poor, who were generally denied access to financial services from rural co-operatives as well as commercial banks. The rationale was that during the 1960s and 70s, wealthy farmers dominated co-operatives and the commercial banks had an urban bias. Therefore, most poor people turned to informal sources for their financing needs. In an effort to provide credit to the poor from institutional sources, the RRBs were established in 1975. These banks would combine the rural focus of the co-operatives with the business orientation of the commercial banks, to make credit widely available to the dis-advantaged communities of rural India. The Regional Rural Banks focused on these objectives and made a concerted effort to take banking facilities to remote areas of India. The rural masses were initially apprehensive with constant and untiring efforts these RRBs became an integral part of the rural scenario. They established themselves and were able to make a huge difference with their presence in the rural sector.

## OBJECTIVE OF THE STUDY:

The main objective of this research paper is To Access the role of Regional Rural Banks in the rural development and to evaluate the performance of co-operative banks in the rural development.

## RESEARCH METHODOLOGY:

The Data for the research paper is collected from the secondary sources. Various published reports, and other selected official websites, books, magazines, and journals are used for the purpose of research paper.

## ROLE OF CO-OPERATIVE BANKS IN RURAL DEVELOPMENT IN INDIA:

The Indian Co-operative Act was passed during the dawn of past century in 1904 by the Imperial council to provide credit facilities to the farmers and eradicate the rural indebtedness which was very common throughout the country during that period. Co-operative Banking Structure in India Broadly, there are two categories of co-operative banks, depending upon the nature of their loaning facility, viz., (1) Short-term lending oriented co-operative banks, and (2) Long-term lending oriented co-operative banks. Within the former category, there are three sub-categories of banks, viz. State Co-operative Banks, District Central Co-operative

Banks and Primary Agricultural Co-operative Societies. District Central Co-operative Banks and State Co-operative Banks are the part of both short-term and long-term credit institutions. And, within the latter category, there are Land Development Banks at three levels, viz., at state level, at district level and at village level. However, Land Development Banks provide long-term loans for meeting the credit requirements of the farmers for developmental purposes.

**State Co-operative Banks:** They Serve As Balancing Centre in the State, Organize Provision of Credit for Credit worthy Farmers, Carry Out Banking Business, and Leader of the Co-operatives in the State.

#### PERFORMANCE EVALUATION OF STATE CO-OPERATIVES BANKS (SCBS) IN INDIA:

The performance of State Co-operative Banks in the period of five years. From 2013 there are 31 banks, deposits were Rs. 89,90,513/- , borrowings were Rs. 49,26,999/- and loans and advances were Rs. 89,96,134/- . In the year 2014 banks are constantly 31, the deposits growth rate was increased to 13.41%, borrowings growth rate was increased to 22.78%, and loans & advances increased with 22.50% growth rate. In the year 2015 banks are constantly 31, the deposits were decreased to -1.15%, borrowings increased to 13.32%, and loans & advances decreased with -2.03% growth rate. In the year 2016 the banks were increased to 32, the deposits are increased to 4.09%, borrowings decreased to -1.74%, and loans & advances increased with 12.67% growth rate. In the year 2017 the banks were constantly 32, the deposits were increased to 15.98%, borrowings increased to 11.98%, and loans & advances increased with 0.73% growth rate.

**Table-1 Performance of State Co-operatives Banks in India (Rs. In Lakhs)**

Year	Banks	Deposits	Growth rate (%)	Borrowings	Growth rate (%)	Loans Advances	Growth rate (%)
2013	31	89,90,513	--	49,26,999	--	89,96,134	--
2014	31	1,01,97,026	13.41	60,49,371	22.78	1,10,20,761	22.50
2015	31	1,00,79,138	-1.15	68,55,157	13.32	1,07,97,027	-2.03
2016	32	1,04,92,165	4.09	67,35,763	-1.74	1,21,65,633	12.67
2017	32	1,21,68,852	15.98	75,43,301	11.98	1,22,54,509	0.73

Source: National federation of state co-operative banks Ltd.

#### Role of District Central Co-operative Banks:

It Serve As Balancing Centre in the District Central Financing Agencies, Organize Credit to Primaries, Carry Out Banking Business. Sanction, Monitor & Control Implementation of Policies.

#### PERFORMANCE OF DISTRICT CENTRAL CO-OPERATIVE BANKS (DCCBS) IN INDIA:

The performance of District Co-operative Banks in the period of five years. From the year 2013 DCC banks were 372 with the deposits were Rs.1,95,72,643/- , borrowings were Rs.61,73,116/- and loans and advances were Rs.2,09,37,088/- .In the year 2014 banks were constantly 372 with the deposits growth rate was increased to 10.18%, borrowings growth rate was increased to 8.90%, and loans & advances increased with 4.09% growth rate. In the year 2015 the banks were decreased to 371, deposits increased to 16.43%, borrowings increased to 9.76%, and loans & advances increased with 6.64% growth rate. In the year 2016 banks were constantly 371; the deposits were increased to 12.54%, borrowings increased to 5.16%, and loans & advances increased with 7.29% growth rate. In the year 2017 the banks were decreased to 363, deposits increased to 10.34%, borrowings increased to 9.29%, and loans & advances increased with 1.56% growth rate.

**Table-2 Performance of District Central Co-operative Banks In India (Rs. In Lakhs)**

Year	Banks	Deposits	Growth rate (%)	Borrowings	Growth rate (%)	Loans & Advances	Growth rate (%)
2013	372	1,95,72,643	--	61,73,116	--	2,09,37,088	--
2014	372	2,15,66,170	10.18	67,22,889	8.90	2,17,94,084	4.09
2015	371	2,51,11,552	16.43	73,79,366	9.76	2,32,42,126	6.64
2016	371	2,82,60,931	12.54	77,60,608	5.16	2,49,37,596	7.29
2017	363	3,11,85,774	10.34	84,82,033	9.29	2,53,28,240	1.56

Source: National federation of state co-operative banks Ltd.

#### REGIONAL RURAL BANKS IN RURAL DEVELOPMENT IN INDIA:

At present in India there are 45 Regional rural banks, NABARD has the responsibility of laying down the policies for the RRBs, to oversee their operations, provide refinance facilities, to monitor their performance and to attend their problems. The objectives of RRBs were "to develop the rural economy in 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 the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs and for matter connected therewith and incidental thereto". RRBs are jointly owned by Government of India, the concerned State Government and Sponsor Banks; the issued capital of a RRB is shared by the owners in the proportion of 50%, 15% and 35% respectively.

#### Progress of Regional Rural Banks in India:

The table-3 shows the information about progress of Regional Rural Banks in India from the period of 2013 to 2017. In the year 2013 the RRBs in India were 64 with 17,856 total branches, covered by 635 districts and average branches per bank is 279. In the year 2014 the RRBs were decreased to 57 with increased 19,082 total branches, increased covered districts to 642, and average branches per bank is increased to 334. In the year 2015 the RRBs were decreased to 56 with increased 20,059 total branches, increased covered districts to 644, and average branches per bank is increased to 358. In the year 2016 the RRBs were constantly 56 with increased 20,920 total branches, covered districts to 644 same like previous year, and average branches per bank is increased to 373. In the year 2017 the RRBs were constantly 56 with increased 21,422 total branches, covered districts to 644 same like previous year, and average branches per bank is increased to 382.

**Table-3 Progress of Regional Rural Banks in India from the Period of 5 years.**

Year	RRBs	Total branches	Districts covered
2013	64	17,856	635
2014	57	19,082	642
2015	56	20,059	644
2016	56	20,920	644
2017	56	21,422	644

Source: Various Statistical Reports on Regional Rural Banks, NABARD.

### PERFORMANCE OF RRBS IN INDIA:

Table-4 shows the performance of regional rural banks all over India period of five years. In 2015 Share Capital Deposit has been converted into Share Capital by the RRBs. In the year 2013, 2014, and 2015 the Share capital was Rs.197 Crores constantly, Reserves are gradually increased from 2013 with Rs.13,247 Crores, in 2014 Rs.15,736 Crores, in 2015 Rs.18,462 Crores, in 2016 Rs.20,665 Crores and in 2017 Rs.23,080 Crores with growth rate 74.22% . Deposits are also increased gradually from 2013 Rs.2,11,488 Crores, in 2014 Rs.2,39,504 Crores, in 2015 Rs.2,71,329 Crores, in 2016 Rs. 3,13,499 Crores, and in 2017 Rs. 3,71,910 Crores with growth rate 75.85% . Borrowings are increased from 2013 to 2015 as Rs.38,073 Crores, Rs.51,208, Rs.58,824 Crores, and in 2016 decreased to Rs.47,888 Crores, after it was increased to Rs.51,588 Crores in 2017 with growth rate 35.49%. Loans & advances outstanding were increased gradually from 2013 with Rs.1,37,078 Crores to 2014 with Rs.1,59,660 Crores, in 2015 with 1,84,843 Crores, in 2016 Rs.2,06,538 Crores, and finally in 2017 Rs. 2,26,175 Crores with good growth rate 64.99%. Finally the Net profit in 2013 was Rs. 2,273 Crores to and it increased to Rs.2,833 Crores in 2014. Next two years decreased gradually from 2015 with Rs.2,781 Crores, in 2016 with Rs.2,018 Crores and final year 2017 it was settled to Rs.2218 Crores with growth rate -2.4%

**Table-4 Performance of RRBs in India period of 5 years (Rs. In Crore)**

Particulars	2013	2014	2015	2016	2017
Share Capital	197	197	197	6,387	6,401
Share Capital Deposit	6,001	6,170	6,173	---	---
Reserves	13,247	15,736	18,462	20,665	23,080
Deposits	2,11,488	2,39,504	2,71,329	3,13,499	3,71,910
Borrowings	38,073	51,208	58,824	47,888	51,588
Investments	1,08,548	1,10,514	1,06,780	1,69,592	2,10,984
Loans & Advances Outstanding	1,37,078	1,59,660	1,84,843	2,06,538	2,26,175
RRBs earning Profit (No.)	63	57	51	50	49
Amount of Profit (A)	2,275	2,833	2,958	2,206	2,604
RRBs incurring Losses (No.)	1	0	5	6	7
Amount of Losses (B)	2.07	0	177	188	387
Net Profit of RRBs (A – B)	2,273	2,833	2,781	2,018	2218

Sources: Annual reports of NABARD.

### FINDINGS:

Indian Co-operative structure are one of the largest such networks with more than 200 million members. Its amount to about 67% of the total rural credit.

First priority goes to part for credit to agriculture.

Providing importance instrument in small scale operation.

They are Following Extensive branch network & traditional importance.

### CONCLUSION:

The above discussion is on the status and productivity performance of Co-operative banks and RRBs in India, the Co-operative banks and Regional rural banks were helped and working for rural development in India. These banks are attracting the rural people to get benefits like credit facilities, best rate of interest on deposits, loans for employed, unemployed and small medium scale sectors. They were concentrating for the development of backward classes, scheduled castes, scheduled tribes to develop them financially and socially. Finally the paper concluded by identifying the RRB's progress and performance and also finding the status of RRBs in India.

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