

**B.Com. S.Y. III Sem.**

# **BANKING**

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# Structure and Organisation of the RRB

- The authorised capital of an RRB is fixed at Rs.1 crore and its issued capital at Rs. 2 lakhs. Of the issued capital, 50 percent is to be subscribed by the Central Government, 15 percent by the concerned State Government and the rest 35 percent by the sponsoring bank. The working and affairs of the RRB are directed and managed by a Board of Directors consists of a Chairman,

- three directors to be nominated by the central Government concerned, and not more than two directors to be nominated by the State Government concerned, and not more than 3 directors to be nominated by the sponsoring bank. The chairman is appointed by the Central Government and his term of office does not exceed five years.
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# OBJECTIVES OF RRB

- The Regional Rural Banks (RRB) aimed at providing credit and other facilities to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs in rural areas

# Operations of RRBs

- In December 1989, 196 reporting RRBs have aggregate deposits of Rs. 3,644 crores and advances of Rs. 3,155 crores. Over 92 percent of the total advances are made by the RRBs to the weaker sections. Their advances under IRDP during 1986 amounted to Rs. 200 crores relating to 7,84,145 accounts.

# Finance from NABARD

- In December 1986, the RRBs obtained refinance amounting to Rs. 246.9 crores from the sponsor banks.
- They borrowed Rs. 226.9 crores of short-term loans and Rs. 80.3 crores of medium-term loans from the NABARD.

# Working Group on RRBs

- The Reserve Bank of India had constituted a Working Group on RRBs, under the chairmanship of Shri S. M. Kelkar, to review the various aspects of the working of the RRBs. The Group submitted its Report in June 1986. Following are the major recommendations of the Kelkar Group:

- 1)The RRBs should be permitted to increase their authorisedshare capital from Rs.1 crore to Rs.5 crores and issued capitalfrom Rs.25 lakhs to Rs.1 crore.
- 2)The sponsor banks should, on behalf of RRBs, invest thedeposits kept by them in current account for SLR requirementin government securities.



# FUNCTIONS OF RRBS

- According to the Banking Commission, the rural banks should render the following functions:
- To accept deposits
- To grant advancesTo provide ancillary banking services
- To supply inputs and equipments to farmers
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- To provide assistance in the marketing of their products To maintain godowns
- To help in the overall development of villages in its area To extend credit and all other banking services

# Major Problems Faced By RRBs

- **1)Haste and lack of Co-ordination in Branch Expansion:-**

Haste in branch expansion programme in many cases have resulted in lopsidedness due to lack of co-ordination.

- **2)Difficulties in Deposit Mobilization:-**On account of their restrictive lending policy which excludes richer sections of the village society, these potential depositors show least interest in depositing their money with these banks.

- **3) Constraints in Deposit Mobilisation:-**

State and local Governments and their agencies also have not co-operated much by maintaining their deposits accounts with the RRBs

- **4) Slow Progress in Lending Activity:-**

The RRBs pace of growth in loan business is slow.

- **5) Urban-Orientation of Staff:-**

- There is no true local involvement of the bank staff in the village where they serve.

- **6)Procedural Rigidities:-**

The RRBs follow the procedures of the scheduled commercial banks in the matter of deposits and advancing loans which are highly complicated and time-consuming from the villagers' point of view.