

**WORKING OF REGIONAL RURAL BANKS
IN INDIA : PERFORMANCE AND PROBLEMS:
A REVIEW**

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**GOKHALE INSTITUTE OF POLITICS AND ECONOMICS
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RURAL BANKS IN INDIA :
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A REVIEW**

**A DISSERTATION
SUBMITTED TO THE
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INTRODUCTION

Agriculture has not so far been given the attention it deserves, though more than 72 per cent of the population depend on it for their livelihood and its neglect is reflected in the peasant's outlook. The holding being small, the average cultivator has to resort to intensive cultivation to secure maximum returns and that is possible only if adequate finance is available for investment in land improvement, irrigation work and productive finance. Development of nation largely depends upon the development of rural areas. Development means not only growth in production and productivity, but also change in income distribution, employment and providing social justice. There was the great discontentment among the peasant community due to rising indebtedness and unscrupulous practices of money-lenders who had acquired almost monopolistic control over agricultural finance, and had often reduced agriculturist debtors to the status of virtual serfdom. In India it is quite frequent that the tenant farmers are so heavily indebted to their landlords that even the full share of a harvest is absolutely inadequate to redeem all their debts. Thus indebtedness accumulates over time making interest liability extremely heavy. The single most feature in this sphere is that the same person plays the dual role of land owner and money-lender. Thus while the peasant

becomes more and more tied to his land owing money-lender in connection with his ever increasing debt he has the only avenue of employment with his money-lending land owner as a share-cropper in his farm. This phenomenon of economic relationship between the landless peasants and the land owing money-lenders works with full severity due to the inadequacy of proper banking facility in the rural areas. Even though some banking facilities are available, they are of use only to the land owners due to the fact that landless peasants are not usually credit worthy in any commercial banking, as they have no assets to borrow against. Moreover, consumption loans fall entirely outside the jurisdiction of any normal banking system. Due to the predominance of the land owners over the landless, relations between the owners of the farms and the actual cultivators were taking such a shape that it seemed to declare a permanent divorce of the rural sector from any possibility of future development. However, since growth of modern banking system some extent funds have been diverted to assist agricultural class of people. The main aim of the nationalisation was to cover those brackets of people, who were deprived of financial assistance from the banks. As still gap exists widely in country side to a considerable extent, to fill that gap the new agency is created.

In this dissertation a modest attempt has been made to cover progress and problems of recently created rural based

institution called Regional Rural Banks. The scope of the study includes review of literature on various aspects of RRBs since its inception. The study of the dissertation is based on secondary sources. In all, the dissertation comprises five chapters. First chapter opens with the rationale behind the establishment of RRBs. The second chapter brings out objectives and management of newly created banks. The third chapter includes the progress made by RRBs and also covers recommendations made by various committees to improve RRBs. In the fourth chapter some major operational problems faced by RRBs are presented. Finally, the fifth chapter concludes the study with some suggestions regarding further successful functioning of RRBs in India.