

NATIONAL RURAL BANK OF INDIA.

Prelims- Polity governance- Constitutional Bodies, Regulatory Bodies Economics, Banking

Mains- GS2 - Structure, organization and functioning of the Executive and the Judiciary

Ministries and Departments of the Government; pressure groups and formal/informal associations and their role in the Polity.

- ✚ **Context-** Govt is thinking of formation of National Rural Bank of India in order to consolidate in Regional rural Banks (RRB).

Parliamentary Standing Committee on Finance (2003)

- ✚ The Parliamentary Standing Committee on Finance (2003) in its 55th Report recommended that Government may consider the setting up of an apex body viz. National Rural Bank of India.

Why there is need of formation of National Rural Bank of India.

- ✚ National Rural Bank of India can act as apex body to monitor the **Regional Rural Banks (RRBs)**

Steps taken by the Government to strengthen the RRBs:

- ✚ Government had initiated the process of structural consolidation of RRBs in 2004-05 by amalgamating RRBs of the same Sponsor Bank within a State.
- ✚ Recapitalization support is provided to RRBs to augment their capital so as to comply with regulatory capital requirements.
- ✚ Periodic review of financial performance of RRBs,
- ✚ Regular Capacity building efforts are undertaken by NABARD like training at Bankers Institute of Rural Development (BIRD), conduct of Organizational Development Initiative (ODI), exposure visits, etc.
- ✚ NABARD provides regular policy support to RRBs in matters relating to human resources and an arrangement has been made for redressal of grievances through Joint Consultative Committee (JCC).

What is Regional Rural Banks (RRBs)

- ✚ Regional Rural Banks (RRBs) are financial institutions which ensure adequate credit for agriculture and other rural sectors .

- ✚ Regional Rural Banks were set up on the basis of the recommendations of the Narasimham Working Group (1975), and after the legislations of the Regional Rural Banks Act, 1976.
- ✚ The first Regional Rural Bank “Prathama Grameen Bank” was set up on October 2, 1975. At present there are 82 RRBs in India.

Equity in RRBs

- ✚ The equity of a regional rural bank is held by the Central Government, concerned State Government and the Sponsor Bank in the proportion of 50:15:35.

Significance:

- ✚ 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.
- ✚ The main objectives of RRB's are to provide credit and other facilities, especially to the small and marginal farmers, agricultural labourers artisans and small entrepreneurs in rural areas with the objective of bridging the credit gap in rural areas, checking the outflow of rural deposits to urban areas and reduce regional imbalances and increase rural employment generation.

