Regional Rural Banks (RRBs)

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Regional Rural Banks (RRBs) Latest News

The Finance Ministry recently unveiled a new logo for Regional Rural Banks (RRBs) to signify a single and unified brand identity.

About Regional Rural Banks (RRBs)

- RRBs were established in India to promote **financial inclusion in rural areas.**
- They are formed in **collaboration by the Central Government, State Governments**, and **Sponsoring Commercial Banks** to **give loans to rural areas.**
- Their mission is to **fulfill the credit needs** of the relatively **unserved sections in rural areas: small and marginal farmers, agricultural labourers, and socio-economically weaker sections.**
- **Origin**:
  - It was established under the **Regional Rural Banks Act, 1976,** on the **recommendation of** the **Narasimham Committee** on **Rural Credit (1975).**
  - **Rathama Grameen Bank** was the **first RRB bank** and was established on 2nd October 1975.

- RRBs were configured as **hybrid microbanking institutions, combining** the local orientation and **small-scale lending culture of the cooperatives with the business culture of commercial banks.**
- The RRBs **mobilize financial resources from rural/semi-urban areas** and **grant loans** and advances **mostly to small and marginal farmers, agricultural labourers, artisans, and small entrepreneurs.**
- RRBs perform **various functions** in the following heads:
    - Providing **banking facilities to rural and semi-urban areas.**
    - Carrying out **government operations** like the **disbursement of wages** of MGNREGA workers, **distribution of pension**, etc.
    - Providing **Para-Banking facilities** like **locker facilities, debit and credit cards,** m**obile banking, internet banking, UPI,** etc.
- The RBI has set a **Priority Sector Lending** **(PSL) target of 75%** of total outstanding advances for RRBs as against 40% for Scheduled Commercial Banks.
- **Ownership**: Sponsored by the Commercial Banks, the **equity** of RRBs is held by the **central government, concerned state government, and the sponsor bank** in the **proportion of 50:15:35.**
- The **area of operation** of RRBs is limited to the area as **notified by the Government of India, covering one or more districts in the State.**
- **Regulation**: Regional Rural Banks are **regulated by the RBI** and **supervised by** the National Bank for Agriculture and Rural Development (**NABARD**).
- **Sources of Funds**: It comprises **owned funds, deposits, borrowings from NABARD**, **sponsor banks** and other sources, including SIDBI and the National Housing Bank.
- **Management**: The **Board of Directors manages** these banks, overall affairs, which consists of **one Chairman, three Directors as nominated by the Central Government,** a maximum of two Directors as nominated by the concerned State Government, and a maximum of three Directors as nominated by the sponsor bank.
- **At present, 28 RRBs operate** across the country with a vast network of over 22 thousand branches in more than 700 districts.

Source: TH
