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## **BIHAR STATE CO-OPERATIVE BANK: STRUCTURE**

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# Bihar State Co-Operative Bank: Structure

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**Abstract –** The co-operative movement advanced rapidly till 1931 in Bihar. A committee under the Chairmanship of Mr. Lyall was set up in 1932. The committee took an optimistic view of the cooperative movement. In 1920-21 the number of co-operative societies was 2,603 and that of members was 89,339 and working capital amounted to Rs. 2,20,89 lakhs. The Government desired to strengthen the co-operative movement in Bihar by legislation and the aforesaid Bihar and Orissa Ct. VI of 1935 was enacted. The Registrar was empowered to the bye-laws of a registered co-operative society. He was also organization of management of a co-operative society, or any past or present officer of a society. Section 40 of the Bihar and Orissa Co-operative societies Act of 1935 laid down that Registrar of Co-operative Societies could pass order requiring such person or officer to contribute to the assets of the society for having made any payment, which was contrary to law or rules or byelaws of the society due to his culpable negligence or misconduct, for having failed to bring into account and having misappropriated or fraudulently retained any property of the society.

**Key Words:** Bank, Co-Operative Society, Empowered, Management.

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## INTRODUCTION

The co-operative movement advanced rapidly till 1931 in Bihar. A committee under the Chairmanship of Mr. Lyall was set up in 1932. The committee took an optimistic view of the cooperative movement. In 1920-21 the number of co-operative societies was 2,603 and that of members was 89,339 and working capital amounted to Rs. 2,20,89 lakhs. The general economic prosperity of Bihar between 1911 and 1928 helped in the expansion of the movement. The Central Co-operative Banks began to receive large sums of deposits from the urban people as the banks paid 8 percent interest on them. The experts have admitted that co-operative credit societies were found to be lacking. The organization of these societies was hasty from the very start of the movement in Bihar.<sup>1</sup> The position of co-operative financing agency from 1919-20 to 1929-30 is summed up below :<sup>2</sup> the progress during the period was uneven. Smaller peasants and tenant cultivators were out of the purview.

TABLE - 3.1

## CO-OPERATIVE FINANCING AGENCY IN BIHAR

	Provincial Banks		Central Banks	
	1919-20	1929-30	1919-20	1929-30
No. of Member Societies	28.00	79.00	2687	9077
Owned Funds	1.56	9.33	6.57	36.30
Loans and Deposits	7.40	64.18	29.87	192.47
Working Capital	8.95	73.51	36.44	288.98
Loans Made	27.70	19.41	20.30	49.40
To individuals	-	1.30	0.05	0.02
Loans due	6.46	43.33	31.10	204.88
To Societies	27.70	18.11	20.25	49.38
By Individuals	-	0.68	0.02	0.09
By Societies	6.46	42.69	30.08	204.70
Profit	0.22	0.68	0.95	5.90

Source:- Bihar through the Figures, Department of Statistics, Government of Bihar, Patna.1995.

The great depression of 1920 gave a serious setback to cooperative activity in Bihar. It created grave difficulties for the existing institutions. Agricultural prices slumped as did the incomes of the peasantry classes and this catastrophe fall in prices threatened the very existence of some societies and seriously disturbed the economic stability of others. Recovery of loans becomes extremely difficult and there were heavy accumulations of overdoses and freezing of society's assets. The Bihar and Orissa Committee on Co-operative gave its report in 1932 and this committee did not worry over the increasing amount of over-dues of the co-operative credit societies and could not envisage that the fall in the prices of agricultural goods would bring down the whole of the co-operative movement in Bihar into despair and

disappointment. However, this committee recommended setting up Land Mortgage Banks to take over the long-term commitments of the existing central Co-operative Banks. But this being unacceptable to the Government, one of the chief remedies suggested by the Bihar and Orissa Committee on Co-operation could not be of any use to the co-operative movement.<sup>3</sup>

The Government desired to strengthen the co-operative movement in Bihar by legislation and the aforesaid Bihar and Orissa Ct. VI of 1935 was enacted. The Registrar was empowered to the bye-laws of a registered co-operative society. He was also organisation of management of a co-operative society, or any past or present officer of a society. Section 40 of the Bihar and Orissa Co-operative societies Act of 1935 laid down that Registrar of Co-operative Societies could pass order requiring such person or officer to contribute to the assets of the society for having made any payment, which was contrary to law or rules or byelaws of the society due to his culpable negligence or misconduct, for having failed to bring into account and having misappropriated or fraudulently retained any property of the society.

But, the co-operative movement in Bihar could not make any progress or improvement with the enactment of the Bihar and Orissa Co-operative Societies Act, 1939 because the fundamental cause of progressive deterioration could not be tackled properly. The cause of progressive decline was the low repaying capacity of the members of the agricultural credit societies. The Government of Bihar also neglected the educational aim of training in the principles and practices of co-operation. The loyalty of the members of the co-operative society to cooperative ideology could not be encouraged owing to lack of adequate arrangements for co-operative training. There are also acute shortages of trained personnel. By the end of the year 1937, the credit structure of the co-operative movement had completely collapsed.

The disastrous earthquake of 1934 and the great depression had weakened the credit structure of the movement. The Provincial Co-operative Bank lost confidence of the public and they began to withdraw their deposits from it. However, the Government of Bihar helped it in different ways and declared that they were ready to protect the Bank. A declaration was made at the 20th session of the Bihar Co-operative Federation held on the 6th April 1938, by the then Minister of Education and Development of the movement. The Government declared to rehabilitate the co-operative movement as early as possible and to take adequate steps to ensure its future expansion on sound lines so that, it may, in time, develop into a true national organisation capable of making rural life richer and fuller in every way. In order to achieve this, enquiry into the assets, liabilities and repaying capacity of the members of the agricultural co-operative credit societies would be undertaken. After the completion of the enquiry undesirable members of

the agricultural co-operative credit societies and the Central Cooperative Banks would be eliminated and the co-operative movement in Bihar would be rehabilitated and strengthened by the organisation of new societies on sound lines. During the period of Second World War the provincial Government of Bihar laid down following general policy for the rehabilitation of the co-operative movement:

- (1) The recoverable assets of a central co-operative would be broadly classified under two heads: viz. (a) interest bearing, and (b) non-interest bearing.
- (2) There should be 7 percent rate of interest on the outstanding loans of members of the agricultural co-operative credit societies against 9 to 15 percent.
- (3) An annual subsidy equivalent to the difference between the costs of management according to prescribed scale and the available annual recurring income would be given to the reconstructed central co-operative banks for a period of five years.
- (4) The Central Co-operative Banks would be classified into three classes according to the incidence of loss: 'A' class banks would be comparatively good banks in which the percentage of net deficit to gross liabilities was below 26 percent. 'B' class bank would be those in which the percentage of deficit to gross liabilities was between 25 to 50 percent. 'C' class or bad banks would be those in which the percentage or net deficit to gross liabilities was over 50 percent.
- (5) There would be a separate staff for the collection of dues from liquidated societies. The cost of the staff would be first instance be advanced by the government but would be recouped from collection.
- (6) The Government would meet the cost of audit of the reconstructed primary credit societies and the central co-operative banks for a period of five years.

But Co-operative Rehabilitation Enquiries in Bihar held the view that the credit side of the co-operative movement could not be encouraged at the cost of the non-credit side of the movement. Again the rehabilitation scheme based on the plan contemplated its uniform application to control banks all over the province; but the difficulties in connection with the sale of lands in Chhotanagpur and Santhal Parganas for co-operative debts restricted its application to Bihar proper. By 1945, 27 Central Banks in Bihar were reconstructed. Under the modified scheme the reconstruction work of all the nine banks in Chhotanagpur was completed by March, 1945. Another scheme was also introduced in

Santhal Parganas in that year. For expanding the business of the provincial bank and of the reconstructed central banks, a scheme on the lines of the Credit Agricola D, Egypt was introduced in 1944 and the provincial Bank was appointed as the sole distributor of fertilizers in the province. 1936-37 to Rs.84.85 lakhs in 1942-43: but improved thereafter to Rs. 113.99 lakhs by 1945-45.

The expenditure on the rehabilitation scheme was estimated as shown below : In addition to the above the Government had to bear the loss of the Provincial Co-operative Bank which was estimated at Rs. 5 lakhs. Thus during pre-independence era, we find the following feature of the co-operative development in Bihar.

**TABLE -3.2**

**Estimated Expenditure to be incurred on pre-habilitation scheme**

Contribution towards loss of Central Co-operative Banks of Class 'B'	12
Loans to Central Co-operative Banks for part payment of deposits.	14
For crop loans	10
Subsidy towards cost of management of Reconstructed Central Co-operative Banks at Rs. 1lakh a year for five years.	5
Cost of fees audit for five years	5
Special staff for liquidation	2
Banking advisor for five years	1
Total	49 lakhs

Source: Bihar State Co-operative Bank, Scheme of Rehabilitation of the Co-operative Movement in Bihar, 5th April, 1941, p. 10.

Firstly, the development of co-operative credit was initiated by the Government resolution for solving the problem of rural indebtedness and Government sponsored movement could not evoke the ready response and service of the public was locked with suspicion upon every movement so started. The distinctions between co-operations impose the Government and necessarily supervised, regulated repatriated and controlled on the one hand and co-operative promoted by voluntary initiative and sustained by operative spirit, which ensures the loyalty on the other hand, cannot be over-emphasized.<sup>5</sup> Lastly, the Government did not make off co-operative spirit through efficient traini expressed pious hopes and meaning less word. Consequently, an attempt should be made to bring 50 percent of the villages and 30 percent of the rural population within the ambit of the reorganized primary societies within a period of 10 years.

## **ORGANISATIONL STRUCTURE:**

The co-operative bank has three structures in Bihar consisting of State Co-operative Bank at Apex Level. Central Co-operative Banks at the district level and primary Agricultural Credit Societies at the village level.

## **STATE CO-OPERTIVE BANK:**

A State Co-operative Bank is an apex organisation of the Central Co-operative Banks in the state. It is the main pivot around which all economic activities on co-operative basis rotate and which controls and regulates the co-operative credit institutions as a parent body and acts as friend, philosopher and guide for the whole movement in the state. Thus, the state co-operative bank is the vertex of the pyramidal, three-tier structure for provision of short and medium-term credit to farmers on co-operative basis. The Bihar State Co-operative Bank has been in existence since 1914 and has been concentrating on the expansion of the agricultural credit business since 1958, after the transfer of its trading activities to Bihar State Cooperative Marketing Union (BISCOMAUN). This is the apex body of the of the co-operative credit organisations in the state and performs the same functions for the Co-operative Banks also. Being in charge of the entire co-operative structure at the state level, this institution mobiles and deploys its resources among the various sectors. It finance and controls the working of the Central Co-operative Banks and serve as a link between the Reserve Bank of India and the Central Co-operative Banks and village level co-operative credit societies. The working capital of the Bank consist of share capital, reserve fund, deposits from members, direct state contribution and borrowings. Borrowings constitute the most important source. The main source of borrowing has been the Reserve Bank of India, State Bank of India and the State Government. Loans form the Reserve Bank of India has been available to these Banks at a concessional rate much below the bank rate.

Thus, the State Co-operative Bank is the pivot of the cooperative credit structure and it is through which the finance provided by Reserve Bank of India flows to the agriculturists.

## **OBJECTIVES:**

The main objectives of the Bank are the following:

- (i) To act as banker's bank to the Central Co-operative Banks.
- (ii) To form connecting link between the co-operative and the Reserve Bank of India and the National Bank for Agriculture and Rural Development (NABARD).



- (iii) To forecast and manage the financial requirements of the state as a whole and act as a financial centre of all cooperative banks and societies in the state.
- (iv) To spread co-operative education.
- (v) To provide the stimulus awakening and sustaining local interest and local leadership.
- (vi) To supervise and guide the Central Co-operative Banks and other affiliated societies and to promote uniformity in banking practice among them and generally assist them in building up a co-operative credit structure.
- (vii) To maintain a reserve of fluid resources so that the Central Co-operative Banks may be assured of its support in times of difficulty.

To co-ordinate the working of the Central Co-operative Banks and to spread co-operative banking.

In short, the State Co-operative Bank is the pivot of cooperative credit structure. Although financial accommodation from the Reserve Bank of India should have been treated as supplement to the resources mobilized by the banks themselves it so appears that allured by the concessional rate the banks borrow from Reserve Bank of their maximum capacity. As a result, the mobilization of surplus by banks from outside the co-operative field has been very encouraging.

### PROGRESS:

The Bihar state Co-operative Bank has made considerable progress in all respect during the recent years which can be revealed from the following table :

**Table - 3.3**

#### Progress of Bihar State Co-operative Bank

Particulars	1955-56	1960-61	1970-71	1980-81	1983-84	1985-86	1986-87	1987-88
No. of Branches (including H.G.)	-	-	6	9	11	13	-	-
Share capital & Reserve	60.23	60.76	305.27	1225.63	2150.00	2212.00	2556.14	3768.93
Deposits	128.29	311.26	897.39	5197.98	5926.00	9160.00	1465.48	15197.00
Borrowings	106.67	41.23	891.02	2074.60	3337.00	4682.00	7791.00	19875.23
Working Capital	-	-	2081.18	7915.32	12110.26	17333.00	26368.18	42080.87
Loans Advanced (during the year)	98.94	225.68	1041.13	2127.24	2754.36	8014.81	11148.01	29700.29
Loans Outstanding	-	-	1500.75	5018.33	7446.19	10568.49	13278.04	25785.31
Amount of Profit	-	-	11.33	38.35	83.15	151.64	-	-
Loans Over-dues	-	-	-	2139.63	2707.50	-	2842.85	3733.33

Source :

1. Hand book of Co-operative Societies.
2. Annual Report of Bihar State Co-operative Bank.
3. Co-operative Movement through Figures in Bihar.
4. Progress of Co-operative in Bihar 87-88.

The Bihar State Co-operative Bank has provided loans both to the agricultural and non-agricultural purposes during the recent years as per the recommendations of the NABARD. The total loans outstanding at the end of the year 1985-86 has been of the order of 105.68 crores of which Rs. 46.82 crores was out of borrowing from the NABARD. State Government and other sources and remaining Rs. 58.86 crores from the Bank's internal resources which formed 65 percent of the total loan and advances. Consequently, the State Co-operative Bank should play a much more positive role with regard to the co-operative credit system. It should function as real pivot of the Co-operative Movement. It should establish close contacts with its member banks as also with the agricultural credit societies as the base. The Bank should be made the custodian of the surplus resources of the co-operative financing agencies should be statutorily required to invest their surplus funds in the apex bank. It has been able to coordinate and control the working of Central Co-operative Banks and has served as the financial co-operative centre of the state.

### CENTRAL COOPERATIVE BANKS:

The original scheme of co-operative in India did not contemplate the organisation of federal societies to function at financing agencies for the primary societies which in most cases were starving for want of adequate funds. They could not attract adequate share capital and deposits whereas the need of the members was over increasing. It was thought in the beginning that the Urban Banks would be able to raise sufficient capital to meet both their own needs and those of the rural societies. But this did not prove to be a healthy and conducive arrangement for the societies which had no say in the affairs of those banks except their relationship with a right to participate in the share and management of their financing agency.

The co-operative Societies Act, 1912 permitted the organisation of higher federal societies. The primary co-operative societies in compact areas federated themselves into Banking Unions and formed central banks to collect funds from the urban areas and divert them to the village societies. Thus every district in the state got one or more Banking Unions of Central Banks. In the recent past there has been a more to recognize them at the district level to make the economic units. The banks so organized are known as District Central Co-operative Banks.

The following are the objects of the Central Co-operative Banks:

- (1) to provide a safe place for investing the reserves of primary societies
- (2) to act as a balancing centre of finance for the primary societies in the district by providing them funds when they have a shortage and by serving as a clearing house for their funds which are surplus.
- (3) to develop and extend banking facilities in rural areas and make the people banking-minded.
- (4) to attract local deposits.
- (5) to develop the movement in the district and act as a friend, philosopher and guide, and
- (6) to supervise, guide and control the working of member societies.

### **CONSTITUTION:**

The Central Co-operative Banks can be classified under three heads according to their constitution:

1. Banks which include both individuals and societies among their members.
2. Banks whose membership is confined to societies.
3. Banks whose membership is confined to individuals.

### **BANKS CONFINED TO INDIVIDUALS:**

The banks falling in class A, consist entirely of individuals or in which societies are admitted as shareholders on exactly the same footing as individual, without any special provision for their adequate representation on the Board of Management or for the reservation of a definite proportion of the share capital for the more or less, such banks stand in the same position as commercial banks, granting loans to individuals and undertaking outside banking business not connected with co-operative finance. The MacLagan Committee (1975) was of the opinion that Act on the ground that it would cause friction with the societies on the one hand and with the joint stock banks on the other hand, therefore, would not conform to the pattern contemplated in the Cooperative Societies Act. Banks having such constitutions were either recognized into cooperative urban banks or converted into pure central banks of societies. Hence, one may rarely come across such type of central banks today.

The Central Bank should cover as large an area as is compatible with conventions and efficiency. Although it may commence on a small scale, it cannot expect ultimately to work at a profit unless it has a considerable capital should ordinarily expect to deal, either at once or within a reasonable time, with at least 200 to 250 societies subject to the above consideration it is always well to adhere as far as possible to administrative division and to avoid the creation of banks intended permanently to deal with any area exceeding a district.

The All India Rural Credit Survey Committee has endorsed the above view. The Standing Advisory Committee on Agricultural Credit of the Reserve Bank of India has expressed the opinion "there should be only one central bank for each district. If, however, in a particular area, financial and other conditions justify the formation of a bank for region smaller than a district, there is no objection to this."<sup>9</sup>

Accordingly, in Bihar Central Co-operative Banks in the form of central financing agencies came into existence after the passing of the Co-operative Credit Societies Act, 1904. The Cooperative Movement advanced rapidly till 1931 in Bihar. A committee under the chairmanship of Mr. Iyall was set up in 1923. The committee took an optimistic view of the cooperative movement. The general economic prosperity of Bihar between 1917 and 1928 helped in the expansion of the movement. The Central Co-operative Banks began to receive large sums of deposits from the urban people as the bank paid 8 to 9 percent interest. The experts have admitted that soundness in the organisation of the primary agricultural cooperative societies was found to be lacking. The organisation of these societies was hasty from the very start of the movement in Bihar.

The Bihar and Orissa Committee on Cooperation gave its report in 1932 and this committee did not worry over the increase in the amount of over dues of the cooperative credit societies and could not envisage that the fall in the prices of agricultural goods would bring down the whole of cooperative movement in Bihar into despair and disappointment. Now ever, this committee recommended the setup of Land Mortgage Banks and the committee was of the view that Land Mortgage Banks should take over the long-term commitments of the existing Central Cooperative Banks. But this being unacceptable to the Government, one of the chief remedies suggested by the Bihar and Orissa Committee on Cooperation could not be of any use to the cooperative movement.<sup>10</sup>

The Government desired to strengthen the cooperative movement in Bihar by legislation and the aforesaid Bihar and Orissa Ct VI of 1935 was enacted. The Registrar was empowered to make amendment of the bye-laws of a registered cooperative society. He was also empowered to surcharge any person, who had participated in the

organisation or management of cooperative society or any past or present officer of the society. Section 40 of the Bihar and Orissa Cooperative Societies Act could make an order requiring such person or officer to contribute to the assets of the society for having made any payments which was contrary to law or to the rules or bye-laws of the society due to his culpable negligence or misconduct or for having failed to bring into account and having misappropriated or fraudulently retained any property of the society.

However, experts held the view that the Bihar and Orissa Cooperative societies Act of 1935 could not tackle the fundamental cause of progressive deterioration of cooperative movement. The fundamental cause lay in the progressive decline in the repaying capacities of the members of the agricultural credit societies. The Government of Bihar also neglected the educational aim of training in the principles and practices of cooperation. The loyalty of the members of the cooperative societies to cooperative ideology could not be encouraged owing to lack of adequate arrangements for cooperative training. There was also acute shortage of trained personnel. By the end of the year 1937, the credit structure of the cooperative movement had completely collapsed.

As a result the scheme of the amalgamated banks became viable units so as to reach the status of getting adequate financial accommodation from the Reserve Bank of India at the cheap rate of interest. Further, the number of central co-operative Banks increased to 34 in 1987-88 and remained constant till now. The number of branches also increased to considerable number from 50 in 1960-61 to 343 in 1983-84.

The Central Co-operative Banks in Bihar have made a phenomenal progress in respect of resource mobilization and credit disbursement during the plan period which is evident from the following Table:

**Table - 3.4**

**Progress of Central Co-operative Banks in Bihar**

Particulars	1955-56	1960-61	1970-71	1980-81	1985-86	1986-87	1987-88
No. of Central Co-operative Banks	51	35	28	8	34	34	34
No. of Branches	-	50	132	254	-	-	-
Oriented fund	2.20	1.00	6.51	-	93.56	-	-
Deposits	0.38	1.65	5.93	36.83	76.31	97.00	147.87
Borrowings	0.76	1.65	14.55	-	-	91.33	215.04
Loans issue	0.79	2.38	12.50	20.82	27.30	92.91	252.92
Loans outstanding	-	-	-	-	121.73	137.38	284.08

Source: Co-operative Movement Through Figures in Bihar, 1985, Progress of Co-operative Movement in Bihar, 1987-88.

It can be seen from the above table that at the end of the First Five Year plan these banks were suffering from shortage of funds resulting negligible loan disbursement. In 1955-56 they had total deposits of Rs. 0.38 crores which increased to Rs. 147.87 crores at the end of 1987-88 borrowing from Rs. 0.76 crores to Rs. 59.16 crores in 1982-83 and further to Rs. 215.14 crores at the end of 1987-88. Loans issued by Central Co-operative Banks were to the tune of Rs.

0.79 crores in 1985 which increased to Rs. 56.63 crores in 1981-82 and further to Rs. 27.30 crores in 1985-86. It is evident from figures that the Central Co-operative Banks in Bihar considerably declined during the Sixth Five Year Plan and in the early years of the Seventh Five Year Plan in respect of loan disbursement during the year. But it increased to Rs. 252.91 crores in 1987-88. Loans outstanding have made considerable increase from Rs. 44.65 crores in 1981-82 to Rs. 284.08 crores in 1987-88 but their recovery position is not satisfactory due to which the NABARD is declined to refinance the Co-operative Banks.

In fact, the Central Co-operative Bank in Bihar is not in a position to draw adequate funds from the NABARD due to their weak financial position. However, the problem has been solved by the financial assistance from State Government which had made the Central Co-operative Banks eligible to draw from the NABARD. The officers of the NABARD have extended their cooperation keeping in view the damage of kharif crops caused by unprecedented flood and drought during the year.

## OBJECTIVES OF NABARD

### The objectives are:

1. To act primarily as an apex refinancing institution for agriculture and rural development through Banking System.
2. To assume an effective role of 'Development Bank'.
3. To make bankable projects to accelerate rural development based on Five Year Plans.
4. To diversify lending for total rural development.
5. To narrow down the regional disparities in agriculture development by pumping more credit, particularly in under-developed and backward areas.

## District Central Cooperative Bank (DCCB)

The working area of these banks is limited to one district only. Central Co-operative Bank can be divided into two parts:

1. Co-operative Banking Union
2. Mixed Central Co-operative Bank

The membership of Co-operative Banking Union is given to Co-operative Societies only, while the membership of mixed Central Cooperative Bank can be granted to both Co-operative Societies and individuals. Generally all states in India are having Central Co-operative Banks with mixed membership

and are providing sufficient financial assistance to both PCSs and individuals.

### **Regional Rural Banks**

Regional Rural Banks (RRBs) were established since 1975 under the provisions of the RRB Act 1976 with a view to developing the rural economy as well as to creating an alternative channel to 'Co-operative Credit Structure' in order to ensure sufficient institutional credit for rural and agricultural sector. In other words, Regional Rural Banks (RRBs) were established to take the banking services to the door steps of rural masses, especially in remote rural areas with no access to banking services. These banks provide institutional credit to the weaker sections of the society at concessional rate of interest. These banks were also intended to mobilize rural savings and channelize for supporting the productive activities in the rural area. On October 2, 1975, initially 5 RRBs were established at Moradabad (U.P.) and Gorakhpur (U.P.), Bhiwani (Haryana), Jaipur (Rajasthan) and Malda (West Bengal). Later on RRBs were extended to other districts of the country.

Though, RRBs were initially intended to support productive activities in the rural areas. With effect from April 1997 the concept of priority sector lending was made applicable to RRBs. Similarly, the interest rates on term deposits offered and interest rates on loans charged by RRBs have also been freed.

### **Rural Banks Branch Licensing Norms Eased**

The Reserve Bank of India on June 13, 2006 announced its liberalized branch licensing policy for regional rural banks (RRBs). Under the new norms, empowered committee at regional offices of RBI will clear RRB application to open new branches and conducting foreign exchange business. Earlier, RRBs had to approach the Central Bank through the National Bank for Agriculture and Rural Development (NABARD) for opening, shifting and merging of new branches.

An amount of 10 billion was released to 27 RRBs in 16 States as on March 31, 2012. The recapitalization is complete in respect of 16 RRBs (in Odisha, Madhya Pradesh, Uttarakhand, Assam, Arunachal Pradesh, Nagaland, Tripura, Jammu and Kashmir and Karnataka). Six State Governments (Manipur, Uttar Pradesh, West Bengal, Rajasthan, Mizoram and Jammu and Kashmir) have not released any amount in respect of 13 RRBs. Among the 16 fully recapitalized RRBs, as on March 31, 2012, 12 have achieved the stipulated CRAR of 9 per cent. Further, of the 82 RRBs, 15 RRBs have failed to achieve the stipulated CRAR level. RRB to Market Mutual Funds RBI has allowed Regional Rural Banks to market mutual funds through their branches. RRBs may with approval of their boards of directors enter into agreements with mutual funds for marketing their units. As per the RBI notification, RRBs may enter into agreements with

mutual funds for marketing the units subject to conditions-

- The bank should not acquire the units from the secondary market.
- The Bank should not buy back the units from its customers.
- Retailing of the units may be confined to select branches.

During 2011-12, out of total 82 RRBs operating in the country, 79 made profit whereas the remaining three RRBs incurred loss.

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