**Role of Uttar Bihar Gramin Bank in Rural Development in North Bihar**

**Sanjay Kumar Chaudhary**

**Research Scholar**

**L.N. Mithila University, Darbhanga**

**Abstract**

In the wake of introduction of financial sector reforms in 1991-92, the commercial viability of RRBs emerged as the most crucial factor in deciding about their desired role due to their limited business flexibility with hardly any scope of expansion/diversification, smaller size of loans with higher exposure to risk-prone advances and professional efficiency in financial deployment. To strengthen RRBs and improve their performance many initiatives have been taken by the Government of India and the Reserve Bank of India (RBI). This paper is a modest attempt to study the role of Uttar Bihar Gramin Bank in Rural Development in North Bihar.

**Key Words:** Credit Policy, Deposit Services, RRB, Rural Development

**Introduction**

 As part of the comprehensive restructuring programme recapitalization of RRBs was initiated in the year 1994-95. The process continued till 1999-00 and covered 187 RRBs with aggregate financial support of Rs.2188.44 crore from the shareholders, viz., Government of India, State Governments and sponsor Banks in the ratio of 50:15:35. Further, the branch licensing policy for RRBs has been liberalized. Under the new norms empowered committees at the regional offices of RBI clear RRB application to open new branches. The branches of RRBs may undertake government business including conducting foreign exchange business with the prior approval of the concerned Government authority and RBI. These banks have also been allowed to open extension counters at the premises of the institutions of which they are principal bankers after obtaining license from the concerned regional office of the RBI. The RRBs need not obtain permission of RBI for the installation of ATMs at the branches and extension counters for which they hold licenses issued by RBI. They are also permitted to open off-site ATMs after assessing the cost and benefit. As against the earlier policy of opening a large number of branches in far flung rural areas, RRBs have been permitted to merge/close down their unviable branches and the branch licensing policy for RRBs is almost at par with that for commercial banks. Now RRBs compete with the commercial banks in rural credit market of India. RRBs give loans for agriculture and rural development while commercial banks also serve needs of commerce and industry in rural areas.

RRBs have played a key role in rural institutional financing in terms of geographical coverage, clientele outreach, business volume, and contributions to the development of the rural economy.

RRBs have been able to garner sizeable amount of savings of rural folk. Thus, deposits of RRBs surged from Rs. 136.08 crore at the end of 1979 to over Rs. 83,000 crore as at the end of March 2007. Over 90 per cent of these deposits were in the form of saving and term deposits. More than four-fifth of the deposits was mobilized from rural areas and the remaining one-fifth from semi-urban areas.

RRBs are representing 38 per cent of the total rural branches of all scheduled commercial banks pooled rural deposits representing 12.3 per cent of the total rural deposits of the scheduled commercial banks. As such, there is a tremendous scope for mobilization of deposits in rural areas and RRB’s branches mostly do not face fierce competition in their area of operation.

Each RRB is sponsored by a public sector bank which provides assistance in several ways, viz. subscription to the share capital, provision of such managerial and financial assistance as may be mutually agreed upon, and help in the recruitment and training of personnel during the initial period of its functioning.

RRBs are expected to combine the local feel and familiarity with rural problems, which the cooperative banks possess and the degree of business organization as well as the ability to mobilize deposits, which the commercial banks possess. RRBs are specialized rural financial institutions for catering to the credit requirements of the rural sector.

**History and Development of UBGB**

 The holy river Ganges divides Bihar into two areas, North Bihar and South Bihar, North Bihar is the hoe of Uttar Bihar Gramin Bank. Uttar Bihar Gramin Bank is a Regional Rural Bank (RRB) in the State of Bihar, India. It is one of the largest regional rural banks in India in terms of branch network, staff strength and area of operation.

 The bank was created from the amalgamation of Uttar Bihar Kshetriya Gramin Bank and Kosi Kshetriya Gramin Bank (transferor regional rural banks) by Government of India in 1976 as per Gazette Notification issued by the India Ministry of Finance under Sub-Section (1) of Section 23 A of the Regional Rural Bank Act, 1976 (21 of 1976). It is sponsored by Central Bank of India in the state of Bihar as a single regional rural bank. The bank is headquartered in Muzaffarpur.

 In the first phase of amalgamation seven Regional Rural Banks, vis; Mithila Kshetriya Gramin Bank, Madhubani Kshetriya Gramin Bank, Champaran Kshetriya Gramin Bank, Vaishali Kshetriya Gramin Bank, Saran Kshetriya Gramin Bank, Gopalganj Kshetriya Gramin Bank and Siwan Kshetriya Gramin Bank had been amalgamated to form Uttar Bihar Kshetriya Gramin Bank (UBKGB) w.e.f. 1st March, 2006. In the second phase of amalgamation Kosi Kshetriya Gramin Bank (KKGB) merged with UBKGB w.e.f. 1st May, 2008 and formed Uttar Bihar Gramin Bank (UBGB).

 Uttar Bihar Gramin Bank, headquartered at Muzaffarpur, is sponsored by Central Bank of India, and has its presence in eighteen districts, viv; Araria, Madhepura, Supaul, Saharsa, Kishanganj, Katihar, Purnea, Mdhubani, Darbhanga, Sitamarhi, Muzaffarpur, Vaishali, East Champaran, West Champaran, Gopalganj, Siwan, Saran and Sheohar of North Bihar.

 The network of 1020 Branches (883 Rural and 137 Semi Urban and Urban Branches) and 3430 BC outlets (Sunahara Sapna Kendras) is controlled by 20 regional offices at Araria, Bagha, Benipur, Bettiah, Chapra, Darbhanga, Gopalganj, Hajipur, Jhanjharpur, Madhepura, Madhubani, Motihari North, Motihari South, Muzaffarpur East, Muzaffarpur West, Purnea, Saharsa, Sitamarhi, Siwan East and Siwan West.

 For effective functioning of BC outlets and imparting financial literacy to the rural population, 18 Financial Literacy Centres (FLCs) have been established in all 18 districts of command area.

**Vision, Mission and Core Value**

 The Uttar Bihar Gramin Bank works with the Vision of Gram Chetna – Going Beyond Banking and its Mission is Holistic Development and Wealth Creation in villages where each banking outlet of Uttar Bihar Gramin Bank Would act as the focal point for extension, counselling, liaisoning, providing forward and backward linkages, and channelling financial muscle required for rural development, while ensuring profitability of each business unit.

 The core values the UBGB is

* Trust & Transparency
* Empowerment & Development
* Service Excellence

**Regional Office**

 The bank has 20 regional offices:

* Araria, ADB Chowk, Araria.
* Bettiah, Station Bazar, Distt –Bettiah City- Bettiah.
* Bagaha, Bagha Bazar, Distt –Bettiah, City- Bettiah
* Benipur, Distt- Darbhanga, City - Darbhanga
* Chapra, Dahiyavan, Chapra
* Darbhanga, Devendra Lok, Laheriasarai, Darbhanga.
* Gopalganj, Vaibhav Hotel Complex, Gopalganj.
* Hajipur, Raashish Chowk, Hajipur.
* Jhanjharpur, Kranti Bhavan, Jhanjharpur, Madhubani.
* Madhepura, Distt. Madhepura, City – Madhepura
* Madhubani, Parishad Bazar, Madhubani.
* Motihari (North), Red Cross Building, Motihari.
* Motihari (South), Red Cross Building, Motihari.
* Muzaffarpur (East), Ramrekha complex, Muzaffarpur.
* Muzaffarpur (West), Power House Chowk, Muzaffarpur.
* Purnia, Sri Nagar Hata, Purnia.
* Sitamarhi, Dumra Road, Sitamarhi.
* Siwan, Rajwansi Nagar, Siwan.
* Siwan (East), Rajwansi Nagar, Siwan.

**Areas of Operation**

 The Uttar Gramin Regional Bank functions through a network of 1020 branches in 18 districts in the State of Bihar. The branches are scattered in the districts of

* Araria
* Darbhanga
* East Champaran
* Gopalganj District
* Katihar
* Kishanganj
* Madhepura
* Madhubani
* Muzaffarpur
* Purnea
* Saharsa
* Saran
* Sheohar
* Sitamarhi
* Siwan
* Supaul
* West Champaran
* Vaishali

The bank was awarded for the best performance in linkage of selt-help groups (SHGs) in the Regional Rural category, at the state credit seminar organized by National Bank for Agriculture and Rural Development (NABARD).

Bank recruits officials through the common written examination (CWE) hosted by Institute of Banking Personal Solution (IBPS) twice a year.

**Products and Services**

**Deposit Schemes of Uttar Bihar Gramin Bank are:**

1. Saving Bank Account
2. Basic Saving Bank Account
3. Current Deposit Scheme
4. Recurring Deposit Scheme
5. Quarterly Deposit Scheme
6. (555 Days) Gramin Super Deposit Scheme
7. Monthly Interest Deposit Scheme
8. Gramin Swa-Shakti Flexi Recurring Deposit
9. Money Multiplier Deposit Certificate
10. Gramin Tax Saving Scheme
11. Gramin Lakhpati Recurring Deposit Scheme
12. Short Term Deposit Scheme

**Loan Schemes of Uttar Bihar Gramin Bank are:**

1. Cash Credit for Working Capital
2. Integrated Dairy Development Scheme
3. Fishery Credit Card
4. General Credit Card (G.C.C.)
5. Housing Loan for Public
6. Joint Liability Group
7. Kisan Credit Card
8. Loan for Purchase of Agriculture Land
9. Loan Against Mortgage of Property
10. Loan/Over Draft Against Bank Term Deposit & Approved Securities
11. Vehicle Loan for Personal Use
12. Prime Minister Employment Generation Programme
13. Swarojgar Credit Card (S.C.C.) Scheme
14. Capital Subsidy Scheme for Installation of Solar off Grid
15. Scheme for Advances to Small Road Transport Operators (SRTO)
16. Temporary Overdraft Facility to Teachers
17. Loan for Power Tiller/Agricultural Machinery
18. Loan for Tractor, Harvester, etc. (for Agriculture Purpose Only)
19. Loan for Tractor, Harvester, etc (Other Than Agriculture)

**Financial Inclusion (FI) Products of Uttar Bihar Gramin Bank include**

1. **SB account with inbuilt overdraft facility – Gramin Vikas Khata**

OD of Rs 500 from the moment of opening, maximum Rs 2500.

1. **Smart Flexi RD**

Recurring deposit product through BCs.

1. **Micro KCC**

Production credit to agriculturists up to Rs 25000 through BCs.

1. **Micro GCC**

Production credit to non-agriculturists up to Rs 10000 through BCs.

1. **Inward remittance through NEFT**
2. **Interoperability**

A Customer of one BC can operate / transact with another BC.

**Role of Uttar Bihar Gramin Bank in Rural Development**

 Rural indebtedness is a gigantic problem arising out of rural poverty. Efforts made to make available institutional credit in rural areas have not made much headway in spite of the fact the co-operative credit sector made a significant contribution and that the commercial banks also increased their credit facilities subsequently. For meeting rural credit requirement in the state there are three types of institutional credit organisations – two in the co-operative sector and one in the commercial banking sector **(Krishnaswamy, 1977)**. To widen the scope of rural credit in the rural areas, the Banking Commission of 1972 recommended the establishment of Regional Rural Banks **(Kishore, 1978)**.

 Purpose-wise distribution of RRB’s credit facilities shows that credit facilities were extended for agricultural and non-agricultural purpose. Agricultural loans comprised short-term crop loans, term loans for agriculture and allied activities and indirect advances. Non-agricultural loans were dispensed to rural artisans, other industries, sectional trade and other purposes. The composition of credit facilities extended by RRBs underwent a major shift in recent years in favour of agricultural loans. Nevertheless advances to farmers increased significantly, there is still stronger need to ramp up advances to small/marginal farmers and artisans in view of the current concerns with agriculture.

RRBs have a distinct character from both the commercial banks and co-operative banks. They are locally based, rurally oriented and commercially organised. The forms and procedures are conducted in the local language and the bank employees help the borrowers to fill up the form so that brokers and intermediaries do not exploit them.

 RRBs grant loans and advances, particularly to small and marginal farmers, agricultural labourers, rural artisans, small entrepreneurs and persons of small means engaged in trade and commerce and other productive activities in the area of operation. They have a limited geographical coverage. They charge interest on advances lower than the prevailing lending rates of co-operative societies in the area and also pay interest of 0.5 per cent more on deposits. The salary structure is lower than that of commercial bank employees and at par with the employees of the State Government concerned. They get assistance from the Reserve Bank of India.

 The Credit policy, including the terms, conditions, requirements of security and legal formalities, of the RRBs is far more liberal. There is no requirement for the mortgage of the property or depositing of the title deeds. There is no need for producing a ‘no encumbrance’ certificate by the borrower or the bank obtaining the legal opinion. All that the bank insists upon is group guarantee, consisting of three borrowers. The borrower is also exempted from stamp duty. The bank thus does not insist on all those time consuming formalities, as its intention is to help less income group people. The bank grant the loan only to borrowers who produce ‘no dues’ certificate from other government or public sector institutions to avoid the duplication of granting loans.

 RRBs have access to the refinance facilities from NABARD in respect of term loans issued by them on a schematic basis for various types of investments subject to other restrictions imposed on them regarding confining financing to the borrowers in the target group for farm sector, sericulture activities, installation of Bio-gas plants, cottage, tiny and village industries etc. to artisans, farmers and needy rural people. All these accelerate the pace of rural development process.

**Conclusion**

 The success of rural banking to a large extent is linked up with the plans to cater to the credit needs of small farmers because the small farmers form the backbone of our agriculture. The establishment of the rural banks has created a new era in the credit structure of our agricultural economy. There is a need for strengthening at the base level of both the co-operatives and commercial banks. So, the creation of rural banks is a bold step in the direction of building up a viable credit structure and in improving the lot of the common man in the society. The future of rural banking lies in the linkage and happy marriage of the financial strength and efficient management of banks on the one hand, with local knowledge and rural base of co-operatives on the other, shedding aside the puritan concept of three-tier co-operative credit structure in areas where the movement has failed.

 The rural banks, thus, represent a new experiment in our effort at building up a representative and viable rural credit structure. In a vast state like ours where the regional economic patterns are so diverse and the problem of rural economy so complex, no single type of institution is uniquely fitted to cater to all aspects of a particular problem. The RRBs have played a vital role in financing and developing the rural sector of the district of Darbhanga. The trend shows that in every successive year the achievement of RRBs has remained more than satisfactory. The proper utilisation of the advances made by RRBs in the district is the main cause of this tremendous achievement.

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