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Title: Need to set up a corpus to provide funds to Regional Rural Banks at low interest rate.

SHRIMATI JHANSI LAKSHMI BOTCHA (BOBBILI): Mr. Speaker, Sir, the Regional Rural Banks play an important role in dispensing credit in rural areas. The operations of these banks help in revitalization of rural economy by providing access to rural credit and reducing dependency on the non-institutional sources of finance such as moneylenders and micro-finance institutions.

Achieving the objective of providing credit at affordable rates of interest is becoming increasingly difficult in the context of rising interest rates scenario. The RRBs face constraints such as restricted area of operation, limited opportunities to achieve benefits of cross-subsidisation and competition with sponsor banks in both raising resources and lending, which after their ability to provide credit at low interest rates. Increase in refinance rates by NABARD has also affected the cost of funds.

The consequence of such increase in lending rates in respect of rural population is quite disastrous and is contrary to the objective of financial inclusion. It is the responsibility of the Government and the banking industry to prevent rural distress caused by high cost of credit.

I request the Finance Ministry to establish a corpus to provide funds to the RRBs at low cost immediately to facilitate these institutions to lend in rural areas and ameliorate the interest burden on rural poor.