



THE ROLE OF RURAL BANKS IN RURAL DEVELOPMENT OF INDIA

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ABSTRACT

The rural banks have always played a vital role in economical development and rural development of India. The general role of rural banks in economical growth of India, because most of the people live in rural area, they are away from the banking services. The banking is the one of the most essential & important parts of human life. The rural banks with a view to developing of agriculture trade, agriculture businesses, industries and other activities. There are many other banking services which are providing by the banks. In this research paper there are valuable facts and information has been put by the researcher related to rural development of India.

KEYWORDS: *Economical Development, Economical Growth, Banking Services, Agriculture Trade & Commerce Industry.*

INTRODUCTION:

The word is still predominantly rural especially in the context of development countries in spite of industrialization and urbanization. The vast majority people lives in area and depend on agriculture and allied activities for their living. The rural sector plays significance role in Indian economy. It affects directly and indirectly almost all the economic activities in the country and provides employment to the maximum to the number of people. It is most important source of national income in India. The large part of revenue government is also obtained from the rural sector for rural development. For a quit long was equated with just agriculture growth thus, it is seen the concept of rural development has changed gradually from mere agriculture growth to comprehensive development of the rural life. The rural development is a strategy designed to improve the economical and social life. The specific group of people are the rural sector, it is signifies extending the benefits of development to the rural poor people in India. The rural sector is play most important role in growth of GDP in India. The rural banking takes the new opportunities in rural sector in India for agriculture and non- agriculture sector. The rural banks are provide financing for new farming activities for rural sector for India and currently institutions rural credit system comprising of about one lac primary agriculture credit societies (PACS) 108 Regional Rural Banks (RRBS) with more than 30000 branches in India.

OBJECTIVES OF THE STUDY

- (A) To understand concept of rural banking in India.
- (B) To know role & functions of rural banks in rural development in India.
- (C) To understand rural banks provide loan for agriculture sector.

IMPORTANCE OF RURAL BANKS DEVELOPMENT IN RURAL AREA

Rural banks are the most important role of the India for development financial system in rural areas and provide the valuable services in the rural areas. The rural banks are mainly provide services in agriculture sector for new farming as well as rural banks development in India briefly showing as below.

➤ PRAMOT SAVING HABITES FOR RURAL PEOPLE

Rural banks are attracts depositors for new schemes for rural people rural banks are providing different deposit schemes for the customers and enable banking habits for rural people.

➤ PROMOTE AGRICULTURE INDUSTRY

Finance is one of the most important role of the industry or it is a blood of business rural banks are accept deposit and provide finance for the agriculture industry.

➤ EMPLOYEMENT OPPRTUNITY FOR RURAL SECTOR

Rural banks are provide finance for agriculture sector, so promote industry and investment for rural area hence create new opportunities for rural people create employment for rural people.

➤ SUPPORT IN RURAL AGRICULTURE DEVELOPMENT

Agriculture sector is contribution and plays most important role of growth of GDP in Indian economy. The rural banks are providing loan and finance for the lowest rate for the agriculture the compare for industry loan.

➤ BALANCED DEVELOPMENT

Rural banks and nationalized banks are the help for the semi and urban area banking operation for same banking schemes.

➤ FUNCTIONS OF RURAL BANKS

The rural banks king pin of the country they are provide valuable services of the country. The rural banks are providing services to the agriculture business and customers through network of the branches in India Most of the rural banks are owned by the government of India.

FUNCTIONS OF RURAL BANKS THEY ARE BELOW

- Primary function
- (A) Collection of deposit
- (B) Making finance and advances

COLLETION OF DEPOSITE

The primary function of rural banks is the collection of deposit for rural people and their 3 types.

- 1) CURRENT
- 2) SAVING
- 3) FIXED

➤ CURRENT ACCOUNT

Current account is use for payment the bank customers deposit and withdraw account money from the bank account. The bank account are minimum requires balance the rural bank account deposit bank are paid interest of the deposit.

➤ SAVING ACCOUNT

It is interest account deposit and the saving account are used for saving money for account the customer for bank minimum balance require in the account so bank are provide cheques facility to the bank customer.

➤ FIXED ACCOUNT

Fixed account are use the customer for to the save money for account the specific limited time. The bank is providing the rate of interest that account holder related for the period of the account deposit.

Example: - fixed account deposit maturity period 2 years bank are takes higher rate of interest provide for the account holder but account holders are not use money for the 2 year completion period before the period.

➤ LOANS AND ADVANCES

Rural banks are keep the portion of the deposit as the legal reserve individuals and firm borrow the money used and banks makes provide the interest for the types of loan to the customer.

• SECONDARY FUNCTION

- 1) Agency services
- 2) General utility services

➤ AGENCY SERVICES

The relationship of bank and customers is the principle of the agent. The following services are provided by agency to the banker.

- 1) Payment of the home rent, health insurance premium, telephone bills etc. the money are paid for the customers account the bank are the collection and receipts on behalf of the customers.
- 2) The bank collects rural people cheque, drafts and bills for the customers.
- 3) Rural banks are changing the currency for the foreign currencies as the bank regulation.

➤ GENERAL UTILITY SERVICES

The rural banks are providing various utility services to the customers. Some of services are mentions are below.

- 1) **TRANFERING MONEY:** The money can be the transferred for one account to another account and rural banks collection of fund their customers for different places.
- 2) **MERCHANT BANKING:** Many rural banks are merchant banking services to the investors and firms.

3) AUTOMATIC TELLER MACHINES :

The rural banks are providing to the services for the customers ATM machine. The ATM machines to customers are quick withdrawing money from the machine for cash. The commercial banks and nationalized banks are providing facility to the customers and bank facility are in metropolitan city and urban and semi urbane area. But rural banks provide facility for the rural areas the customers are withdraw cash from the bank ATMs.

- 4) **TRAVELAR CHEQUE:** A traveller cheque is the purchased by the bank customers payment for the travelling are used in the banks are the accepted the cheque.
- 5) **CREDIT CARDS :** The rural bank is one of the another facility provide for the customers the visa and another is master card the bank customer windrow cash for the ATM in bank money use.

ROLE OF RURAL BANKS ON ECONOMIAL DEVELOPMENT

1) **RISK:** Rural banks are the one of the most important major source of the India for the economical development in India. It is the most important source and role of the economical development in the risk the preliminary banks provide the loan for the farmers in the rural area and businesses of the rural area. The chances for the loan recovery are not possible and bank will be the loss.

2) **SMALL BUSINESSES:**

Rural banks also provide the finance in the rural small agriculture businesses, the small businesses can be create the employment for the rural sector people.

3) **WEALTH:** Rural banks are offer for the customers different types of account and individual wealth and rural banks are provide services for the customer and the investment.

4) **GOVERNMENT SPENDINGS**

Rural banks are also support of the government banks rural banks are the help for the government banks purchasing the bonds and finance to the banking operation and help for the purchasing treasury.

RURAL BANKS AND RURAL FINANCE SERVICES

The rural area needs for banking sector and government are decide to established for rural banks in India, for rural banks and RRBS rural area and Indian government are the passed rural banks act 1976 the government ate main objectives are the provide finance and rural banking facility for rural area people for rural people and government are main focused for farmers agriculture loan and entrepreneurship development for the for agriculture sector for the farmers and other farming activity fir the rural people.

- **RURAL BANKS ESTABLISHED IN INDIA, OBJECTIVES.**

- 1) The credit gap of urban area and rural area
- 2) The outflow of rural area and urban area
- 3) Rural area employment increasing

- **ROLE OF RESERVE BANK OF INDIA RURAL CREDIT FACILITY**

Reserve bank of India expanding for the rural sector credit after the NABARRD bank set up the target for the development of rural agriculture sector. Reserve bank of India are the providing finance and credit facility for NABARD and reserve bank of India takes the priority sector for 18 per cent target gives the rural development and provide credit facility for infrastructure development rural area RBI are provide needs of rural banks finance help for money.

- ✓ **MICRO FINANCE**

Rural banks are providing finance for the small agriculture industry foe help for money and encourage for new start up agricultures business.

- ✓ **KISAN CREDIT CARD**

Rural banks are one of the best banking facility for the farmers for (KCC) credit card in 1998-99 the rural bank purpose of provide credit to the facility rural farmers. The schemes for the implementation by 27 commercial banks and central co- operative banks rural banks.

- **ROLE OF RURAL BANKS IN RURAL SECTOR OF INDIA**

The current scenarios of the Indian rural people do not aware for government are launched new schemes for agriculture sector. The rural banks are most role play and channel to gives the information the rural peoples to new schemes rural people. The banking survey in the rural sector people 41% people are

saving account in banks and does not use technology and development using mobile banking ATM, credit cards, and debit cards KCC cards loan facility for the banks. The banking survey of India 20% people are understand and using technology and development of rural banks.

- **THE IMPACT OF RURAL BANKS IN RURAL SECTOR OF INDIA**

- 1) Wealth to rural farmers
- 2) Wealth to education facility
- 3) Wealth to business in rural people
- 4) Retail banking

- ✓ **WEALTH TO RURAL PEOPLE**

Rural banks are providing various schemes provide and develop to the rural people financial status and economical growth of the rural sector. The rural banks are provide the low rate of interest to rural farmers because developed agriculture officers and the guide to the farmers providing loan facility for the bank customer banks are provides.

- ✓ **WEALTH TO EDUCATION FACILITY**

Rural banks are providing the loan for education and it is positive impact or the rural and middle class people children's education. Rural banks are providing loan it is the good impact for the rural people because rural area peoples are takes the good education for their children. It is the most important and main development of the rural peoples and takes it is the positive impact of rural peoples most important role of rural banks in rural people.

- ✓ **WEALTH TO BUSINESS IN RURAL PEOPLE**

Mudra loan and mudra bank is the crucial steps to the development of rural banks. The mudra banks are mainly providing finance to the micro units and small level people. The schemes of (PRADAM MANTRI MUDRA YOGANA) it schemes developed small agriculture businesses development.

- **THE SCHEMES PROVIDED THE RURAL BANKS BY THE MUDRA BANK ARE**

- 1) Shishu covers provide the loan amount up to 50000.
- 2) Kishore covers provide loan amount up to 50000-5 lakhs
- 3) Tarun covers provide loan amount up to 5lac-10 lakhs

- **ROLE OF RESERVE BANK OF INDIA**

The statutory cash reserve ratio (CRR) and statutory liquidity ratio (SLR). The function of RBI Rural banks act for under the section for 42 reserve bank of India are all banks compulsory takes the priority for the banks subject of agriculture provide the finance for farming activities in rural sector of India.

- **RURAL BANKING OPPORTUNITIES IN RURAL SECTOR OF INDIA**

- 1) Farm mechanization
- 2) Agro based industries in rural area
- 3) Ware housing
- 4) Retail banking
- 5) Education loan

Farm mechanization

Indian agriculture inflection increasing for the demand and supply for the demand and supply for the demand for mechanization, the rural banks are high loan provided for agriculture production example of agriculture biotechnology and another is far mechanization continuous leading provide loan for rural banks.

✓ AGROW BASED INDUSTRIES IN RURAL AREA

The rural sector leading for higher products demand examples are milk, fruits, eggs, meat, vegetables etc. Supply products in India or other countries this farm production activities are create and increasing entrepreneurs this impact of create the employment opportunity rural area.

✓ WEARE HOUSING

India's largest producer fruits and vegetable is transportation losses cases of 30-40% for the every year could storage and agro process are the create employment for the rural area rural banks are provide guidelines for the businesses.

✓ RETAIL BANKING

The retail banking for the provided services are the dependency rural sector homes are demand will be the increasing for the day by day. Rural bakes are needs of the customers for deal with customers help than technology and financial innovation.

✓ EDUCATION LOAN

The considering more than before five years rural banks provide services for the rural area and banks to provide low rate of interest education loan for the banking system.

The following are some facilities and services in the rural banks are providing in rural sector of India.

✓ MOBILE BANKING

Rural banks and others commercial, nationalized banking used by the mobile banking system in India, for rural and urban sector in India and providing banking services in customers so cashless money or financing cashless banking operations in India.

✓ M -WALLATE

Rural banks are providing the customers to the rural areas for new technology and adopt new strategy for banking operations mobile banking transaction. Rural banks are identifying needs of the customers' small bills payments and, small purchases, the cash withdrawal. The rural banking research analysis takes the information mobile banking and mobile banking financial transaction cost is about 2% of branch of banking operations, branch banking 10%, atm services financial cash withdrawal transaction is 50% of internet banking.

• ROLE OF RURAL BANKS IN INDIAN ECONOMICAL DEVELOPMENT

- 1) Rural banks create employment opportunity for rural sector
- 2) Financial assistance to rural industries
- 3) Finance assistance to customers activities
- 4) Financial facilities for rural area
- 5) Promote new entrepreneurs in rural area
- 6) Finance assistance for Indian agriculture sector

➤ **RURAL BANKS CREATE EMPLOYMENT OPPORTUNITY FOR RURAL SECTOR**

Rural banks has providing finance for agriculture and agro industries for rural sector for India so that create a new employment opportunity for rural farmers and rural people agriculture development contribute for GDP OF INDIA one of the play role if economic development in India.

➤ **FINANCIAL ASSISTANCE TO RURAL INDUSREIS**

RURAL banks and commercial banks are providing financial services for rural sector and industries for the long term loan and short loan assistance for industries. The direct financial assistance industries for the grating the loan and advances the purchasing from the stock ,bills exchanges, bonds rural industries help for the development of Indian economic development in India.

➤ **FINACE ASSISTANCE TO CONSUMER ACTIVITIES**

Indian rural sector people low income for the commercial banks and rural banks help for the customer and living standard will help for the increase.

➤ **FINANCIAL FACILITIES FOR RURAL AREA**

The rural banks are providing financial facilities both the internal and external tread rural banks are providing loans for retailer and wholesalers to purchase goods. For the deal rural banks are provide many types of facilities for rural development example accepting bills exchange providing overdraft facilities and issuing draft.

➤ **PRAMOTE NEW ENTREPRENEURS IN RURAL AREA**

Development rural banks in India are achieved a success create a new entrepreneur in rural area the bank are providing lack of financial plan for resources in new entrepreneur. In rural sector banks are provide loan for new business and new entrepreneur for the production of capacity of the increase economy in India.

➤ **FINANCE ASSISTANCE FOR INDIAN AGRICULTURE SECTOR**

Agriculture sector is the backbone economy in the country the commercial banks and rural banks the development of countries the banks are provide the agriculture credit rural banks are provide the finance for agriculture marketing and providing finance for irrigation facilities and developing land there are vireos study for the 40% farmers are suicide because not paid money for loan the rural banks are providing credit poor farmers but not free loan for others problem.

• **CONCLUSION**

From this study we conclude the rural banks are investing the money for development of rural agriculture sector likes irrigation facility, rural agriculture with low interest loan, milk, warehousing etc. There are many services are providing for growth of rural people. There are many government schemes such MUDRA and PMRJ. These schemes are providing to the people of India for micro & small businesses. The rural banks are playing most important role for the development of Indian economy. The growths of GDP of India are mainly supported by rural agriculture products and industries. Now days banks are using high technology for smooth and secured transactions. The rural banks growth is depending on good farming and agriculture products hence, in the consideration of conducted research, it is conclude that role of rural banks for the development of India is necessary throughout country.

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