



A STUDY OF BANKING INDUSTRIES IN RURAL AREAS

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ABSTRACT—

Rural banking in India started since the establishment of banking sector in India. Rural banks mainly focused upon the agriculture sector. Today, Commercial banks and Regional Rural banks in India are penetrating every corner of the country and extending a helping hand in the growth process of the



rural sector in the country. It became quite supportive to the farmers and small entrepreneur is rural areas.

KEYWORDS: Rural Areas, Rural Banking

INTRODUCTION:

Rural banking is a common practice in places where banking institutions are few and far

between and people who need to carryout banking transactions may have difficulty in finding a way to do so. With modern technology, more and more people have access to online systems that allow them to conduct certain types of banking without a nearby branch, but this technology is not available for everyone and demand for rural banking is still high in some areas.

Rural banking is a process of conducting banking transactions out in the country where bank branches are too far away to be of use. Rural banking is very popular for very small towns and farmers who live far away from areas of larger population and cannot make the drive to these locations. Whenever they need to use banking services, typically, an agent of bank will visit there rural locations and offer to make transactions in an official capacity. Rural banking offers all the basic banking services that people living in rural areas need. Cash deposits are one of the most common services, since these occur on a regular basis and must often be done in person. Loan and loan repayment services are also offered for these who cannot make their payments in any other way.

In rural banking in India, there are 14,475 rural banks in the country of which 2126 (91%) are located in remote rural areas. SBI is largest bank catering to Rural banking.

Objectives of the study:

1. To study about rural banking in India.
2. To know about the banking institutions working for the development of rural areas.
3. To study the present position of different banks functioning for rural area.

Information of different Banking Industries working for rural areas:

Credit is one of the critical inputs for agricultural production and lack of adequate and cheap source of finance has been a major factor for the depressed condition of Indian agriculture till now various measures have been taken to increase credit facilities necessary for the rural sector.

Following are some banking industries which plays a vital role in the development of agriculture and rural sector.

1. Co-operative Credit Societies:

Rural co-operative banking and credit industries play an important role in meeting the growing credit needs of rural India. The volume of credit flowing through these institutions has increased. The performance of these institutions however has been less than satisfactory and is deteriorating rapidly. Of late a number of committees have gone into the reasons for this situation and suggested remedial measures, but there has been little progress in implementing their recommendations. Different types of co-operative society in rural areas are –

i) Primary Agricultural Credit Societies (PACs):

These are the grass root level institutions of the credit structure. PACs deal directly with farmer borrowers, grant short-term loans and also undertake distribution and marketing functions.

ii) Central Co-operative Banks (CCBs):

The central co-operative banks are federations of primary credit societies in a specified area, normally a district and are usually located at the district headquarters. These banks have three sources of funds such as their own share capital and reserves, deposits from the public and loans from state co-operative banks.

iii) State Co-operative Banks (SCBs):

The SCBs is apex of the co-operative credit structure in each state. The SCBs finance, co-ordinate and control of working of the Central Co-operative Banks in each state. It is not only interested in helping the co-operative credit movement but also in promoting the co-operative ventures.

2. Commercial Banks:

The interest of the commercial banks in rural finance first started when the SBI was established in 1955 to provide credit facilities for co-operative processing and marketing societies. The State Bank of India and its subsidiaries started network of branches in semi-urban and rural areas. The commercial banks provide financial support to the small farmers. These banks provide direct and indirect finance to the farmers. Indirect credit is provided through co-operative societies and the agencies engaged in the supply of inputs for the marketing.

3. Regional Rural Banks (RRBs):

The Narasimham Committee on rural credit recommended the establishment of RRBs on the ground that they would be much better suited than the commercial banks or co-operative banks in meeting the needs of rural areas. Accepting the recommendations of the committee, the Government passed the Regional Rural Banks Act 1976. The main objective of RRBs is to provide credit and other facilities particularly to the small and marginal farmers, agriculture labourers, artisans and small entrepreneurs and develop agricultural trade, commerce, industry and other productive activities in the rural areas.

No. of RRBs in India:

Government of India initiated the process of structural consolidation in consultation with State Government and sponsor banks by amalgamating RRBs of the same sponsor bank in the state September 2005. Prior to the process of amalgamation 196 RRBs sponsored by 27 SCBs and one state co-operative bank were operating in the country with a network of 14,484 branches spread over 523 districts as on 31st March 2005. Consequent upon the amalgamation the no. of RRBs declined to 82 operating in 26 states and in one territory covering 619 districts with a network of 15,475 branches as on 31st March 2010.

4. National Bank for Agricultural and Rural Development (NABARD):

NABARD was established on the recommendations of Shivaraman Committee on 12th July 1982 to implement the National Bank for Agricultural and Rural Development Act 1981. NABARD is India's specialized bank. It is the apex institution in the country which looks after the development of the cottage industry, small industry and village industry and other rural industries. NABARD also reaches out to allied economics and support and promote integrated development and to help NABARD to discharge its duty. It is one of the primer agencies to provide credit in rural areas.

Role of RBI in Rural Credit:

Since it was set up in 1934 RBI has been taking keen interest in expanding credit to the rural sector. After NABARD was set up as the apex bank for agriculture and rural development, RBI has been taking a series of steps for providing timely and adequate credit through NABARD. RBI has also taken steps to strengthen institutional mechanism such as recapitalization of Regional Rural Banks (RRBs) and setting up of Local Area Banks (LABs).

Present position of Rural Banking in India:

The Government had constituted a Kelkar Committee in September 2009 to study the current level of Capital-to-Risk-Weighted-Assets-Ratio (CRAR) of RRBs and to suggest roadmap for achieving a CRAR of a percent by March 2012. The committee was also required to suggest the required capital structure for RRBs given their business level so that their CRAR is sustainable and provides for future growth and compliance with regulatory requirements. The committee submitted its report to the Government of India on 30th April 2010. The committee carried out an assessment of capital requirement for all 82 RRBs to enable to have CRAR of at least 7 percent requirement would be Rs.2,200 crore for 40 out of 82 RRBs. This amount may be released in two instalments i.e. Rs.1,338 crore in 2010-11 and Rs.863 crore in 2011-12, the remaining 42 RRBs will thereafter on their own. NABARD has launched a dedicated scheme for providing assistance for creation of storage infrastructure with corpus of Rs.5000 crore. The "NABARD Warehousing Scheme" 2013-14 (NWS) envisages direct loans to public and private sector for construction of warehouses, silos, cold storages and cold chain infrastructure.

Conclusion:

RRBs performance in respect of some important indications is certainly better than that of commercial banks or even co-operatives. RRBs have also performed better in terms of providing loan to small and retail traders and petty non-farm rural activities. These have taken leading role in financing Self-Help Groups (SHGs) and other micro credit institutions and linking such groups with the formal credit sector. NABARD is an apex institution in agriculture and rural sector which implemented different schemes and provide credit for development of agriculture, small farmers, small entrepreneurs etc. Hence it is supportive to the rural development. The role of RRBs in the development of rural areas is very significant.

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