



# Momentous role played by rural financial house in improving the life of people and generating employment and adding to the rural economy

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## Abstract

Rural Banking is paramount to rural economy , rural employment , rural growth and rural agriculture . Rural economy is 90% responsible for the growth of GDP in India and shapes the overall development of the Nation . Regional Countryside banking began with the formation of banking system in India . Earlier it provided only agriculture loans and facilities but now the domain has started to provide new loans facilities and scheme for the farmers and other agricultural sector .We receive both short and long term loans facilities starting from farms mechanism to crop production , horticulture , aquaculture , apiculture , sericulture etc and also provides gold loans .The Domestic Financial House for Agricultural and Countryside Development is the principal rural bank , there are many cooperative banks and local banks which are providing finance support to the rural villages which help to generate employment . However the rural banking system is suffering from Finance crisis due to heavy loans and low repaying capability , with lack of coordination among the staffs members , untrained staffs , followed by lack of knowledge among the people about the banking policies , people don't know how to use their accounts , we need to promote awareness programme on banking system among the villages and educate them after rural banking . An amalgamation of banking stuffs and village people are required to use rural banking as a weapon to eradicate poverty from the region.

**Keywords:** Rural Banking, rural economy , poverty , agricultural loans , lack of knowledge , heavy loans, low repaying capability

## Introduction

Rural banking is as old as the Banking system in India . Rural Banking is integral for the overall sustainable growth of the society , as 70% of the population live in rural India , 60% are dependent on agro-Industry and its contribute to 50% of the National Income . Without rural economy we don't have a future of becoming a super power and moreover these rural growth and products become the main source of foreign trade , like India is the largest producer of cotton , which requires the involvement of farmers as it is plant based product .Earlier the main focus was on agriculture , with time local rural bank and business back has reached to every part of the country and it is important to facilitate credit and other loan short and long term, to help small and marginal farmers .The co-operative banks play an important role in rural financial .Regional Rural Bank are limited and restricted to a few districts , SBI has 30 Regional rural Bank and are referred to as RRBs . The SBI has its rural bank operating in 13 nation states covering North to South region and North East to Himachal Pradesh , Other banks who are operating in the pastoral region incorporate UBI , Co-operative financial house ,Syndicate financial house and NABARD , the finance provided by the co-operative bank is in the area of farming , Dairy , brooder , Personal Finance . The corporate positioning for rural approbation co-operatives : momentary co-operatives and prolonged Cooperatives . Short term cooperatives would include Districts central cooperative banks , state cooperative banks , primary agriculture credit cooperative societies and branches where as for Long term cooperatives it would include State farming & Pastoral Development Financial house , chef Agriculture and countryside enlargement financial and furcate .The RRBs was established in 1975 , Section3(1) of the RBB Bill 1976 . The capita of RRB is allocated by the central executive in proportion of 50% , Sponsor Bank by 35% and State Government gets 15% . The main aims of the regional rural bank is to Bridge the approbation slot in rural region , inspect the escape of rural instalment to modern settlement and minimize regional imbalance and maximize countryside job .RBI has taken keen interest to expand credit to the rural sector and also strengthen Regional Rural Bank and opening up of Local area banks . Since Independence farmers have faced hardship and exploitation by the Middle men , when it came to reaching out markets or selling of crops , the farmers never received the whole amount , there have always received less which is one of the reason why Indian rural people have always remained below poverty line. However to help farmers , the government opened up rural banks in which every farmer had a right on their money and could get credit banks like RRB and NABARAD . These are commercial banks with cooperative features providing easy term loans.

## Research Methodology

For the purpose of this exploration , I have used a amalgamation of two of the archetypical social sciences research tools application –as they are authentic and brilliant method to assemble statistics from multiple appellants in an methodical and convenient way . Question were asked to the parents and their children , survey , interviews –consisting of several interrogation which were dispersed among representative of each contender group .

## Objective of the Research Paper

The main areas of exploration in this paper incorporates

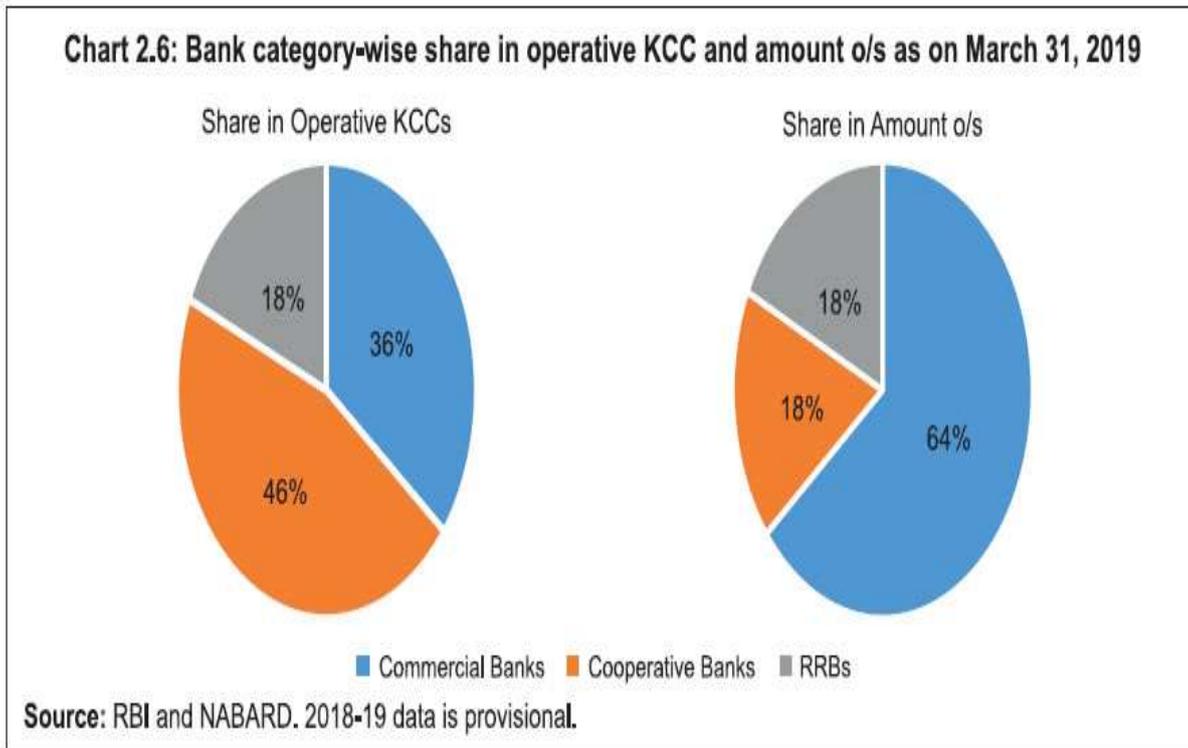
- 1.Understanding rural banking system in India .
2. The new polices and scheme introduced by the government for rural banking .
- 3.What are the challenges of rural banking in India .
- 4.The Future perspective of rural banking in India.

## Literature Review

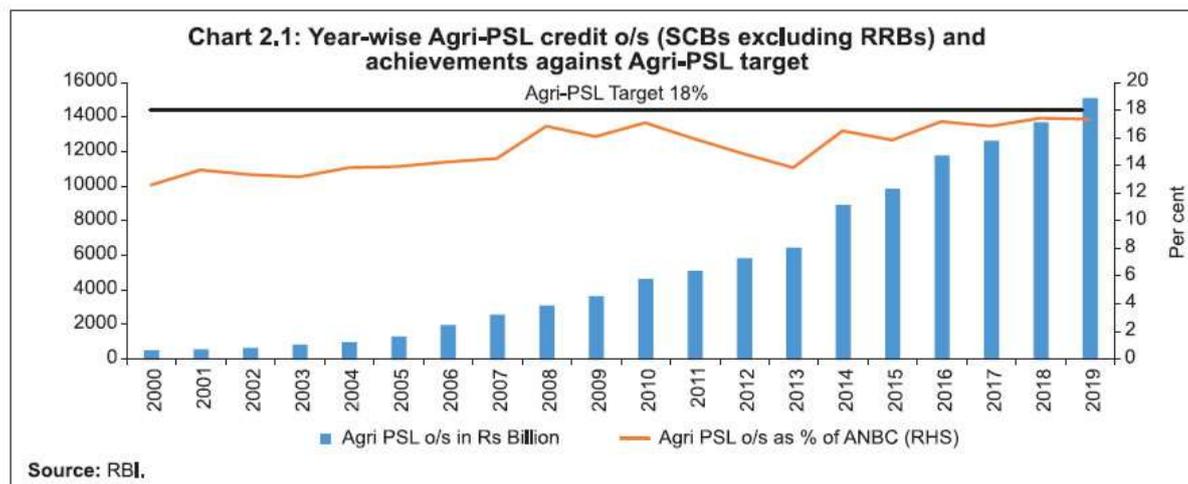
The motive behind rural banking is to provide credit to small and marginal farmers, artisans, agriculture labours and other backward and vulnerable region, to keep the money safe of the Indian village poor from dealers, aid the economic development of India, to open bank account and financial house in the villagers and initiate the idea of saving for the economic growth of the rural region, along with opening doors for employment for the people and promote trade and economic in the villages, establish enterprise in the region and also to bridge the gap between the urban and rural by developing the underdeveloped region of the country. Pradhan Mantri Jan Dhan Yojna is a scheme that provides financial services such as credit, remittance, saving and deposit account, pensions at a minimum price, Sukanya Samirddhi Yojna under the Beti Bechi, Beti Padho scheme, the objective is to help meet the education and marriage cost of the girl child, it allows to open one account per girl child, one family can open two accounts if they have two daughters, a minimum deposit 1000 rupee and maximum of 1.5 Lakh, the account is closed once the girl turns 21, as the girl turns 10 the account can be created and operated, offers can interest of 8.5% and provides income tax benefits. Pradhan Mantri Jeevan Jyoti Bima Yojna one more initiative launch by the Finance Minister Arun Jaitley, it is renewable insurance scheme providing life insurance of 2 lakh rupees on death, any person between the age group of 18 and 50 years can apply for it, along with that two new schemes were introduced Atal Pension Yojna and Pradhan Mantri Suraksha Bima Yojana around 3.11 crore have applied for and only 65,083 received it by May, 2017. Rashtriya Swasthya Bima Yojana (RSBY), it provides fitness indemnity to people who are extremely poor, providing health insurance to the unorganized structure employees such as construct workers who are registered under Welfare Boards, Street vendors, MNREGA workers, mine workers) provides 30,000 if the family consist of 5 members, they can avail a RSBY smart card which allows them to cut down medical expenses. We have the Kisan Credit Card yojana introduced by the Andhra Bank in 1988 which was further introduced by cooperative banks and RRBs. We also have warehousing by banks, banks like Rabo Bank, Limited and National Housing Bank provides financial for the construction of cold storage so that certain fruits and vegetables are available through the year, as most of the crops are seasonal, at one time a huge amount is grown which requires to be storage so that people can avail it throughout the year, in Tamil Nadu many such projects have received the support of National Housing banks. Agri-Clinics assist has been established by the government to facilitate soil testing for farmers.

## Findings

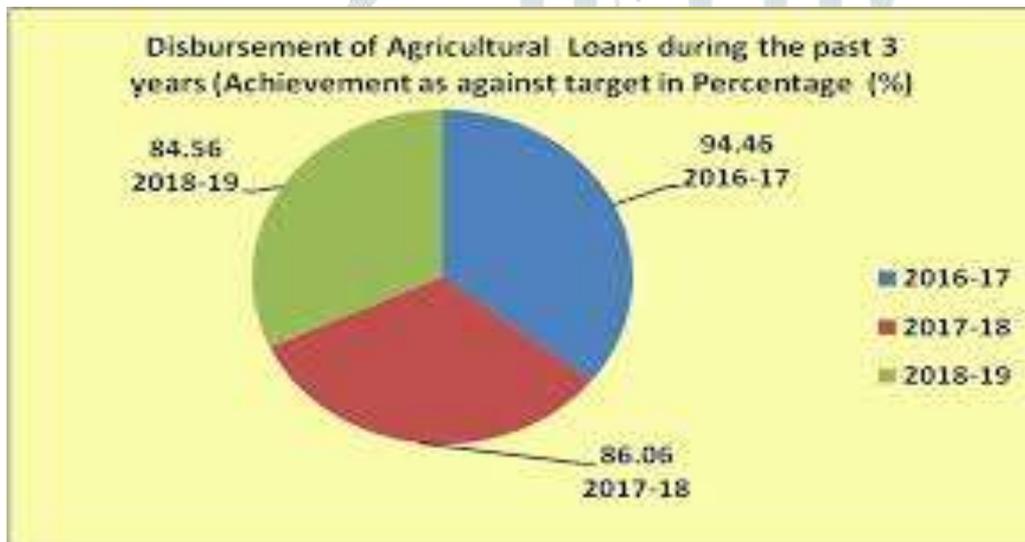
Agriculture is the backbone of the Indian society. Indian Economy is based on agriculture, Financial institutions across the country provides aid to farmers, for different types of farming, loans can be granted for the following purpose: Running of day to day operations, for the purchase of land, farm machinery such as harvesters, tractors etc in storage purpose, product market loans, it can also be offered as subsidies which can protect the farmers at the time of crop damage or crop lost. Agriculture loans are not only offered to the farmers but to also other people who are engaged in agriculture industries like cultivation of plants and vegetables silk farming, floriculture, animal husbandry and aquaculture. The Domestic Financial House for Agriculture and village growth was the first bank which started the business of providing financial credit to the rural people for enhancing rural economy and agriculture back in the early 1980s, all the credits fall under the NABARD when it comes to agriculture. The Financial institutions have supported the government in boosting credits for the farmers and other agricultural activities through different schemes, the most prominent one is the Kisan Credit Card (KCC), it was launched in 1998, it was formed to provide all basic financial essential in the agriculture sector. The loan provided to the farmers depend on various factors like cultivation, farm maintenance etc, it can be used for crop production and also other domestic pre requisite, the farmers can withdraw funds, with 7% per annum and an amount of 3 Lakh per year.



The Kisan credit card is connected with the saving account of farmers. The NABARD has also introduced new schemes like Dairy Entrepreneurship Development scheme: this incorporates the dairy sector and provides facilities like modernise of the farms, calf rearing, infrastructure development, improve of product at the commercial scale, promote self employment, Rural Godowns: This scheme provides farmers will the provision to improve their holding capacity, sell their product at a reasonable rate, along with nationalized warehouse system, the selling of agriculture products have become easy. Solar Scheme: This scheme was introduced to reduce the use of grid power by the use of solar equipments, replace diesel pumps with solar ones as they are environmental-friendly and available at a reasonable price, we also have Loan against warehouse receipts –when a farmers requires money at the time of post-harvest he can store his produce in the Warehousing Development and Regulatory Authority.



There are many other banks who offer Agricultural loans for example the state bank of India , they have more than 16,000 branches offering gold loan for crop production and for other agricultural activities and definitely Kisan Credit Card , SBI offers loans for agricultural mechanism like tractors , install drip irrigation , for fisheries , poultry and dairy purpose , they also provide debt swapping scheme , which help farmers to clear their debt free and clear their loans , they also work towards establishing agricultural marketing , form agribusiness and agri clinic centres . The HDFC Bank for agricultural loans , the loans varies depending upon the category like installation of orchids , production of crops , plantations for horticulture , they also provide warehouse receipts providing finance assist to all farmers and small traders . We also have the Allahabad Bank Agricultural loans ,Bank of Baroda Agricultural loans which also offers funds for setting up small units , sericulture , rearing of sheep and goats pig farms .The Punjab National Bank Agricultural Loan and the ICICI Bank Agricultural Loans , they offer long terms loans also for purchase of equipments , cattle etc which can be repaired by 4 years and also provide gold loans for agricultural sector and Axis Bank Agricultural loans provides Contract Farming where agreement on loans is made between the corporate and farmers.



## Challenges

The biggest problem is the geopolitical location of these banks , a minimum distance of 3.8 Km to find a bank near a village area , lack of access is a major problem in the rural banking system , there is no proper physical infrastructure for people to reach out to the banks , second of all when you open a bank account there are certain documents which you require and most of the farmers or village people don't have those basic documents . It takes an entire day for a person to go and complete his work in the bank as it is not under the accessible area , the people are unaware about the banking policies , there terms and conditions , Financial knowledge is very poor amount the rural India because of the lack of education , people don't know how to access their accounts , moreover they is lack of coordination among the staffs members , there is lack of staffs , the problem of heavy loans as the repaying capacity is very low , low deposits rate and heavy loan rates . People don't have proper knowledge about the government schemes related to banking policy ,they come and open up a account under the impression that they will get free money .Most of the transaction can happen using phones , however the rural interconnectivity is so poor that people have to go to the banks .The RRBs are facing the issue of inadequate finance they are highly depend on NBARD , all the rural banks have been badly affected .

## Future Perspective

The very first thing we need to do is start awareness programme on the banking policy of India , the terms and conditions of the bank , we need to introduce smart system of rural banking , people should be taught how to use a bank account and for what all purpose can it be used for . We require the construction of banks in the villages so that people don't need to travel so much, proper infrastructure development has to take place , loans for non-agriculture purpose should also been promoted , land loans . We need to introduce water loans , so that people can make use of river water and also loans for water waste management so that people have access to safe drinking water .We need to first of all , make it compulsory for all the villagers to make their necessary documents for the opening of a bank account , clear receipt and everything should be provided , before moving towards or bringing in digital banking in the rural area we need to built infrastructure for proper net connectivity in the region, rural banking should be made smart to provide more employment facilities and help in the overall development of the rural economy , loans for seeds , fertilisers , pesticides should also be introduced . A proper electric and telecom connectivity is necessary for smart rural card system and we need to work towards a smart rural banking system to promote economic growth and make the life of the rural people better .

## Conclusion

Rural economy is paramount to the development of a sustainable nation ,especially for a country like India where more than half of the population live in the country side . India is a agricultural country and highly depends on primary economy i.e agriculture . In fact most of the export business run on agricultural items like cotton, fruits , vegetables , rice , sugarcane etc. It plays a significant role in the foreign exchange increment . The regional rural banks provide both short and long terms loans to the farmers and other agricultural sector to generate employment and provide maximum facilities at a minimum coast , however due to lack of awareness about the finance system , the poor people are unable to cope with the banking system , there are heavy loans and we low repaying capacity which make the banks run out of finance , poor road connectivity and non accessible to the banks are a major problem which has acted as a hurdle in eradication of poverty from the rural area .

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