

## ROLE OF REGIONAL RURAL BANKS IN RURAL DEVELOPMENT OF RAJASTHAN STATE

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### ABSTRACT

*Rajasthan's rural residents' requirements for loans are being met by regional rural banks in order to support rural development. The combined RRBs gain from a bigger operational area, increased branch growth, and other economies of scale that increase the exposure of small and marginal farmers to credit as well as increase credit limits for high-value and varied modern banking services. The number of RRBs has decreased due to amalgamation from 196 to 43 as of March 31, 2022. However, the number of branches has increased. The primary goal of creating Regional Rural Banks in India is to offer loans to rural residents who lack sufficient financial means, particularly small and marginal farmers, craftsmen, agricultural labourers, and even small business owners. RRBs therefore provide for the credit requirements of rural residents. Additionally, the bulk of the county's residents live in villages, especially the marginalised and impoverished sectors of society. Infrastructure is lacking in villages. In order to address the development of infrastructure, such as energy, irrigation, credit, marketing, and transportation facilities, RRBs must play a vital role by offering lending facilities to various projects. Due to the high percentage of persons living in poverty (about 30% of the population) in rural regions, RRBs have a significant impact on the fight against poverty. The current study is a modest effort to evaluate the rural credit structure and the part RRBs have played in the growth of the rural economy. This essay's goal is to examine rural credit and the part RRBs play in landings in both priority and non-priority industries. The study suggests that RRBs have a strong positive impact on Rajasthan's rural economy.*

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**Keywords:** RRBs, Rural Credit, Agriculture, Farmers, Rural Development.

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### Introduction

In order to provide financial services to rural residents, especially in areas without banking infrastructure, Regional Rural Banks were founded in India in 1975. In our nation, banks are crucial to the allocation and mobilisation of resources. India's rural population continues to have issues with a lack of credit. Rural banks have made it feasible for credit to be the main source of funding for rural company owners, households, and notably low-income working households. The National Bank for Agricultural and Rural Development (NABARD) was founded in 1982 to coordinate the many plans the RBI had made to support and monitor institutions and direct loans to rural regions. Due to the extremely high interest rates on loans made by the informal sector, India's rural populace has developed a sophisticated system of intimidation that targets both economic and non-economic factors. Following financial sector reforms in

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India, the Regional Rural Banks' mission and method of operation have undergone a number of modifications, and the government has since 1994–1995 implemented a number of initiatives to increase the RRBs' economic viability. Therefore, it has been deemed necessary to examine the effectiveness following merger, which began in 2006. In the Indian setting, a study of the RRB's effectiveness and performance is crucial. To "develop the rural economy by providing for the purpose of development of agriculture, trade, commerce, industry and other productive activities in the rural areas, credit and other facilities particularly to the small and marginal farmers, agricultural laborer's, artisans and small entrepreneurs and for matter connected therewith and incidental thereto," as stated in the preamble of the RRB Act of 1976. This study's goal is to examine RRB performance both before and after the merger. The RRBs' branch count, district coverage, deposits mobilised, credit extended, and investments made were among the metrics chosen to measure their success (RRBs).

### **Statement of Problem**

The first question presented in this study is why are RRBs working, since it is crucial to address the problems and difficulties with their successful involvement in rural development. It is necessary for optimum asset management to operate well. They may communicate with all stakeholders when they operate through the various RRB services, which improves asset quality, makes them accessible, and allows them to work more effectively and efficiently with all sorts of individuals. Therefore, the goal of this research is to investigate the function and obligations of RRBs in the rural development process. This study analyses the link between the impacts of excellent benefits and reach people at the village level according to their local credit need, in addition to extending current rural development research literature and expanding the field for future research.

### **Research Questions**

- What poses the greatest challenge for RRBs in rural areas?
- Why is the government focusing more intently on rural development through RRBs?

### **Objectives of the Study**

The following goals are the main emphasis of the current study.

- Emphasize the contribution of RRBs to rural development.
- List the difficulties and concerns faced by RRBs with rural credit.

### **Methodology**

Net income as a percentage of total assets (NITA) is considered to be the indication of financial success of the RRBs in the interpretative phenomenological analysis (IPA) of qualitative data. In this study, the percentage technique of research methodology was employed. To understand the concerns and challenges encountered by RRBs on rural credit, research was done across the various districts of Rajasthan and income levels. To gather information on the shifting credit patterns in rural and semiurban regions, semi-structured in-depth interviews with members of the general public and account holders were performed.

### **Review of Literature on Regional Rural Banks**

Rural development is the process of enhancing rural residents' quality of life and economic security. Rural regions are frequently remote and poorly inhabited. The traditional foundation of rural development has been the exploitation of land-intensive natural resources like agriculture and forestry. Various studies have been done in this regard on the role that regional rural banks play in rural development. NABARD(1986) According to a research on the feasibility of RRBs, implementation of resource mobility in rural areas is essential. In this regard, many studies are In his investigation into the "Performance and Growth of Regional Rural Banks in Rajasthan," Kalkundrickars (1990) discovered that these banks had helped their clients by increasing their income, productivity, employment, and adoption of contemporary techniques, as well as by rehabilitating rural craftsmen. A research on the "Growth and Performance of RRBs in Haryana" was conducted by Kumar Raj in 1993. Based on a research of RRBs in Haryana, it was discovered that deposits and outstanding advances had significantly increased. The researcher believed that in order to effectively distribute funds to beneficiaries, there was a need to enhance share capital. RRBs have been playing a crucial role in the area of rural development, according to a 1996 research by A. K. Jai Prakash that examined their impact in economic growth. Moreover, compared to commercial banks, RRBs were more effective in disbursing loans to rural borrowers. The creation of urban branches, local involvement, adequate loan supervision, and support from state governments were some ways advised to increase RRB efficiency. In 1998, L.K. Naidu performed

research on RRBs using a sample of 48 recipients of payments from rural artisans in the Andhra Pradesh state's Cuddapah district, who were clients of Rayale Seen Gramin Bank. According to the findings of this study, the recipients were able to enhance their income due to the bank's financing. The present phase of financial liberalization's policies, according to Nathan, Swami (2002), have had a direct, quick, and dramatic impact on rural loans. Rural banking has decreased overall, along with priority sector financing and preferential lending to the poor in particular. The development and regional distribution of rural banking from 1975 to 2002 were studied by Chavan and Pallavi (2004). The benefits realised by India's historically disadvantaged east, northeast, and central regions during the social and development banking era are documented in Chavan's article. Prasath (2015) Assessing the financial performance of Rajasthan's rural regional banks with reference to Pragathi Gramin Bank Post-merger analysis showed that they might increase profitability through economies of scale. These studies aim to comprehend the function of RRBs in rural development.

### **Analysis of the Role of RRBs**

In the state of Rajasthan, rural development is crucial for the state's overall sustainable economic growth as well as for the majority of the population who live their lives in rural regions. In the state, it is seen to be of notable importance. It is a strategy that seeks to increase agricultural production, socioeconomic equality and aspiration, and stability in social and economic growth. These goals can only be attained when there is a balance between urban and rural development, agriculture, and financial institutions. The main goal must be to reduce the starvation that affects around 70% of the rural population and to ensure that there is enough nutritious food accessible in the present pandemic condition. Providing for the availability of clothing and footwear, a clean home and surroundings, medical care, leisure activities, education, transportation, and communication is the secondary responsibility. Rural credit systems must be properly addressed in order to be effective. Any effective plan for ending poverty and fundamentally modernising the state economy must include an effective system of distributing institutional credit in rural and semi-urban areas. In addition, the majority of people in the state live in villages, especially the marginalised and underprivileged parts of society. Infrastructure is lacking in villages. It is necessary to handle infrastructure development for things like energy, irrigation, credit, marketing, and transportation amenities. RRBs must play a vital role in this regard by offering lending facilities to various state government projects and successfully implementing government schemes. RRBs have contributed significantly to the eradication of poverty by carrying out programmes to do so. This is significant since roughly 30% of the population in rural regions live below the poverty line, which is a high percentage. It is imperative to take action to reduce poverty through implementing government programmes through RRBs. Health care facilities are lacking in rural locations. Better healthcare facilities are essential for people's physical development, and the present epidemic calls for community involvement to offer stability to the health sector. Each locality's productive resources must be developed to increase job possibilities. With a view to discovering methods other than crop farming to maintain life, RRBS has a role to play in the sustainable development of production operations. Natural resources and human resources play a significant part in any growth. RRBs have a role in indirectly enhancing the calibre of human resources in rural regions. It may be accomplished through increasing literacy rates through education loans (particularly for women), skill development, and industrial training, hence RRBs have been instrumental in the education sector by offering credit facilities. RRBs are capable of the phrase "rural development" focuses on the steps taken to develop rural regions in order to enhance the system as a whole. Education, Public health and Sanitation, Women's Empowerment, Infrastructure Development (Electricity, Irrigation, etc.), Facilities for Agriculture Extension and Research, Availability of Credit, Poverty Eradication, and Employment Opportunities in the State of Rural Rajasthan are the key drivers in the rural development space.

### **Performance of RRBs**

Due to fierce rivalry within the banking industry, the performance of RRBs in 2020 compared to that of those in 1998 has demonstrated opposing characteristics. On the one hand, RRBs saw a significant increase in the number of accounts they served, their geographic reach, the mobilisation of deposits, the execution of government programmes, and the distribution of credit to their intended audience in rural regions. Due to NPA and competition from other financial institutions, a number of RRBs have demonstrated weak financial sustainability even after existing for a number of years. This is a worrying aspect of their operations. RRB merged as a result in order to gain from economies of scale. Rural clients may have access to formal banking, but there is no assurance that they will use the services. According to a World Bank study, many rural households, even in developed nations, opt not

to have a bank account because they don't conduct many financial transactions, receive and spend money in cash, and don't want to be burdened by a bank account because they believe it will come with fees and accountability. Therefore, the Indian government established many programmes to encourage small and marginal farmers to develop a saving habit. In rural India, many consumers who might normally prefer to utilise formal financial services—and who have access to bank accounts and loans—do not do so because the product and service combinations do not fulfil their demands. The demands of rural clients in rural Karnataka go beyond the typical assumption that they just need loans and savings. Their financial requirements, which might range from savings to loans to insurance to remittances, are connected to their life cycle requirements. In actuality, even the present savings and credit products accessible to clients in rural areas fall short of fully satisfying their demands. The rural poor rely heavily on the savings and investment facilities. Microsavings and regular withdrawals are the two essential requirements for the rural poor. If there is a credit crunch in the near future, RRBs play a critical role by offering loan facilities. These types of demands help a client grow money over the long term in rural regions. Banks do not, however, provide sufficient services to meet these demands. Due to a lack of services, the rural poor have no choice except to do business through informal banking. As of March 2020, the total business of Karnataka Grameen Bank was 50000 crores, with deposits of 28435 crores and a net profit of 19 crores. RRBs will be useful in that they will take modest sums, offer doorstep service, and guarantee simplicity of enrollment. Rural clients require loans from Karnataka Grameen Bank for both consumption needs and production ones. Rural clients require microcredit from RRBs for consumption, education, and crises in addition to agricultural help. The availability of purpose-free loans (personal loans and credit cards) from banks is very liberal in metropolitan areas, but is substantially more constrained in rural regions because people lack the regular income needed to qualify for credit cards. Because the poor obtain these loans via the unofficial financial system, RRBs must play a vital role in promoting the microcredit market.

#### **Finding of the Study**

It should be underlined that the RRBs must not only meet their socioeconomic goals but also generate a profit in order to maintain their operations in rural regions. Profitability is dependent on the wise use of internal resources and borrowings. The outdated banking system, whose policies and practises are really focused on funding for urban businesses, industries, and organisations, has difficulties reaching out to the final mile of rural and agricultural communities. That is the divide between the rural banking system's industry and agriculture-oriented components. In order to prevent needy rural arcticians from falling prey to the schemes of dishonest moneylenders who are extorting to the utmost by higher rate of interest, rural banks in Karnataka's stated primary goal is to timely credit small and marginal farmers, at terms dictated by social considerations rather than economic ones. It is impossible to understate the role that rural banking plays in the state's economic growth, especially in the wake of RRBs. According to Gandhiji, "Real India belongs in the villages," and the rural economy is the foundation of economic growth. The assets that aren't performing Due to unequal monsoon distribution, poor farmer income, and rural families' unpredictable income, banks in these areas have a greater percentage of non-performing loans. Agriculture-related NPAs are 7.9%, compared to 3.7% in non-agricultural industries. The commercial banking system was handicapped due to its high-cost structure and employees' reluctance to provide services to rural areas, leaving RRBs as the only viable alternative in the Karnataka rural development sector. The co-operative banking system was constrained by the dominance of vested interests, managerial weakness, and high overdoes.

#### **Conclusion**

By sending bank representatives to various villages prior to the agricultural season to provide loans and other information, providing token system, regional rural banks may operate effectively in rural regions. The government should allocate funds to open branches in rural places. This approach places a significant premium on enhancing the rural arctician industry, agricultural production, encouraging livestock, expanding rural credit, and eradicating poverty. Due to banks' lack of interest in rural regions, after decades of attempts and banking experiments, the organised financial sector is still unable to close the credit gap in the rural sector. The lack of infrastructure in rural areas made it difficult for people to access banking services, the lower levels of per capita income led to lower levels of saving once more, the focus on the urban sector and a lack of adequate connectivity were the main barriers for banks to expand into rural areas. In the current situation, the tendency needs to be reversed in order for a balanced development to be conceivable.

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