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AN EVALUATION ON THE ROLE OF FINANCIAL INSTITUTIONS IN RURAL DEVELOPMENT

Dr. Jyotish Kumar Singh*
Anand Raj**

ABSTRACT

The government may help financial institutions like banks implement financial inclusion via subsidies, marketing, and education initiatives as part of its 11th Plan for Inclusive Growth. People living in rural areas with little financial resources typically lack the time and transportation to make several trips to the bank in order to open an account or use other banking services. These households may try to save and prepare for the future by establishing a savings account or taking out a loan, but they face more obstacles. The purpose of this paper is to start a conversation on the role that banks and other financial institutions play in fostering growth in India's rural areas. Indian economic development depends on lifting rural residents out of poverty, joblessness, and social and economic backwardness. The government of India recognised this need, and many rural development initiatives were launched as a result. As a result, what we mean when we talk about rural development is the wholesale adoption of contemporary practises by people living in rural areas.

Keywords: *Financial Institutions, Financial Assistance, Villagers, Banks, Banking Financial Institutions, Rural Development, Programme.*

Introduction

In reality, the poor and vulnerable groups can engage in economic activities and seize growth possibilities for economic empowerment with access to inexpensive finance. Thus, accelerating economic growth while decreasing income inequality and poverty requires the creation of an inclusive financial system that ensures equal access to financial services at reasonable prices for all. Opportunities for progress cannot be fully realised without access to a stable and reliable financial system by the poor and vulnerable members of society as well as by small and petty businesses. The majority of Americans still live in rural areas, and this population represents the largest untapped opportunity for banking services. Historically, conventional banks and other financial organisations have either ignored or neglected to provide viable services in rural communities (e.g. rural or agricultural development banks). As a result, non-traditional institutions, such as dealers and suppliers of inputs, have risen to prominence as important intermediaries in the provision of financial services. Some of these unofficial lenders charge exorbitant interest rates because they operate outside of the traditional financial system and have limited institutional and management capacity. People in rural areas may require financial services for a variety of reasons, including but not limited to: purchasing agricultural inputs; obtaining veterinary services; maintaining infrastructure; contracting labour for planting/harvesting; transporting goods to markets; making/receiving payments; managing peak season incomes to cover expenses in low seasons; investing in education, shelter, health, or dealing with emergencies. The goal of the Reserve Bank of India for the year 2020 is to add over 600 million new account holders.

* Assistant Professor, Department of Commerce, Singhbhum College, Chandil, Kolhan University, Chaibasa, Jharkhand, India.
** Former Master in Commerce, Department of commerce and business Administration, University of Allahabad, U.P., India.

The Main Aims of Providing Banking Services to Residents in Rural Areas Reducing Extreme Poverty The primary goal of this strategy is to increase the commercial viability of providing banking services to the poor, with a secondary goal of lifting the majority of the rural poor out of poverty through the provision of loans to the most modest of economic enterprises.

Role of Financial Institution In inclusive growth in India

The 12th five-year plan, which focuses on "Faster, More Inclusive, and Sustainable Growth," is a prime example of the centrality of the concept of inclusive growth to the policymaking process in the Indian government. Economic growth that benefits all segments of society equally is what we call "inclusive growth," or "a concept that advances equitable opportunities for economic participants." The vast agricultural sector of the Indian economy, the backbone of the country's economy, can be developed to make economic growth in India more equitable. Financial inclusion and social sector spending are two broad categories that contribute to inclusive growth. The former entails addressing issues of poverty and unemployment by enhancing the distribution and accessibility of credit. The latter seeks to enhance the standard of living by enhancing the quality of schools, hospitals, and communities. By investing in the rural economy's social sector and facilitating broader access to its benefits through financial inclusion, we can help those at the bottom and in the margins of society feel the positive effects of economic expansion.

Here are some ways to sum up the various aspects of inclusive development:

- To reduce poverty, for example, rapid expansion of the priority sector can raise the standard of living for a wide range of people by expanding their access to better jobs and higher wages.
- To be considered effective, an inclusive growth policy must boost employment with per capita income.
- A person is considered to be poor not only if their financial resources are limited, but also if they have limited access to public facilities and natural resources. Access to services and opportunities should be universally available and a focus of policies aimed at inclusive growth.
- Every member of our economic society should be afforded the same rights to freedom, dignity, and opportunity as any other. The challenges that lower-income and minority groups face must be factored into inclusive growth programmes.
- For growth to benefit everyone, it must be environmentally sustainable, meaning that its effects will last longer than a single generation.
- One goal of inclusive growth policy should be to reduce the social barriers women confront at various points in their economic engagement in order to ensure gender equity.
- Governance - The state plays a crucial role in the context of inclusive growth by ensuring rapid economic growth and a rise in social welfare.

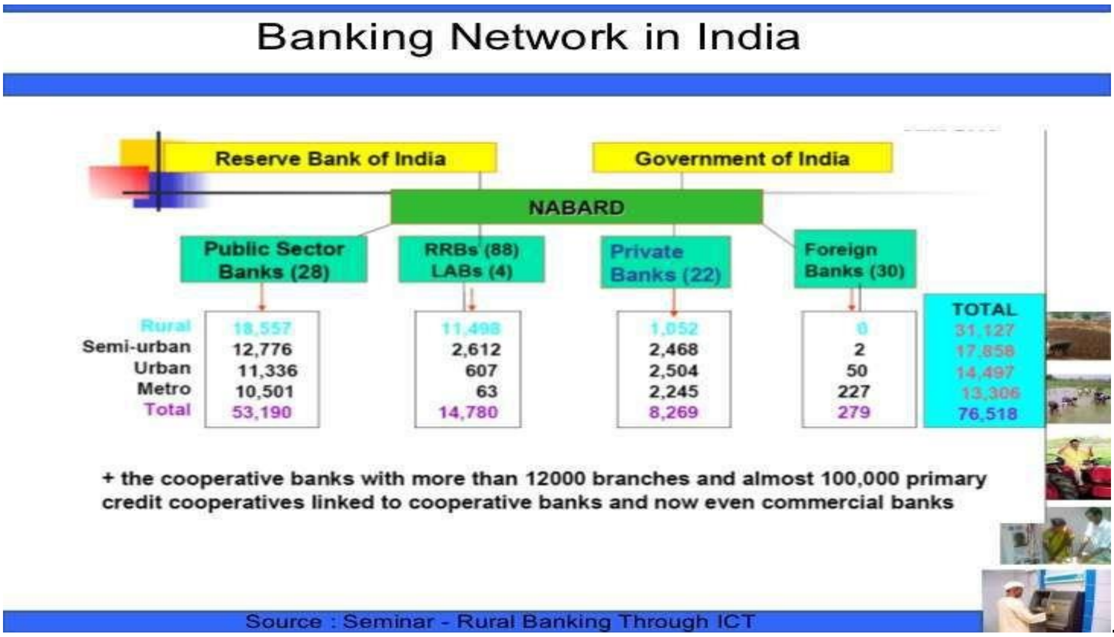
Objectives of the Study

As the research is observed, the following objectives were in the mind of researcher:

- The purpose of this research is to examine the challenges faced by rural areas and the role that financial institutions can play in resolving these issues.
- To examine the function of commercial banks, cooperative banks, regional rural banks, and the national bank for agriculture and rural development in rural development.
- To compare and contrast the activities of these institutions. Purpose
- To evaluate the contribution of banking institutions to rural development.
- To pinpoint problems with the current rural banking system and provide solutions.

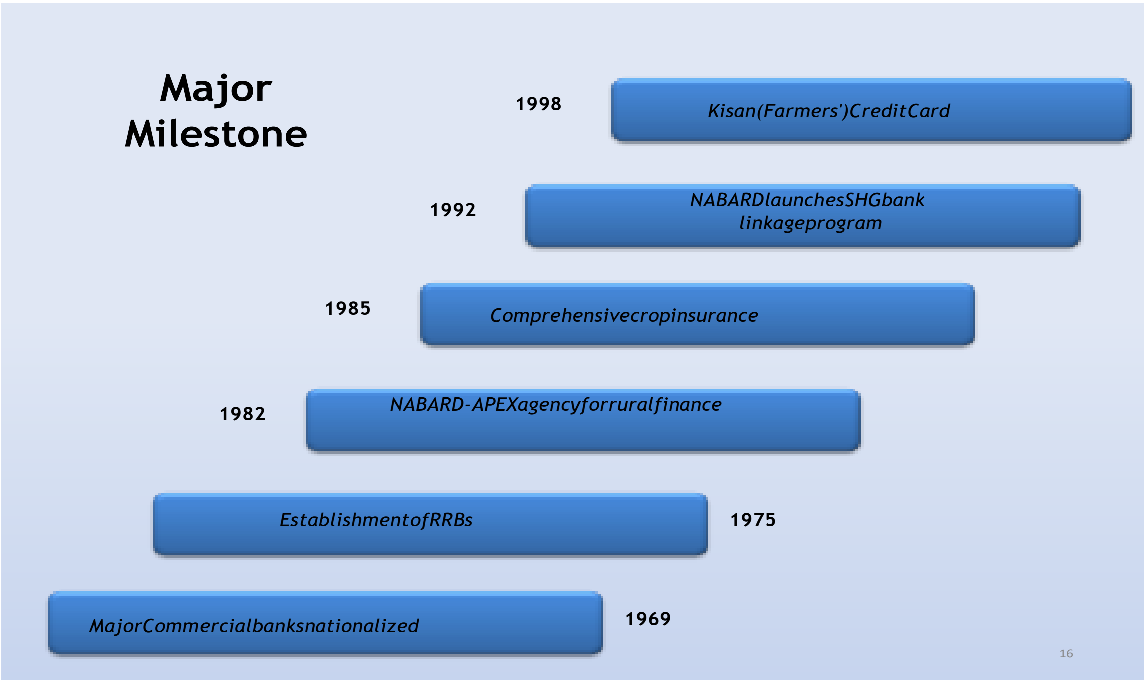
Banking Institutions in Rural Development

The term rural banking refers to the functions of providing banking facilities and services to rural economic activities and does not limit itself to any one institution like a commercial bank, or a co-operative credit society or a regional rural bank. The banks play the significant role in the economic development of a country. The financial institution plays crucial role in rural development. In recent years the operation of financial institution open new branvhes in rural areas and provides many schemes including government schemes i.e. central government or state government schemes to villagers lived in India.



Their roles can be analysed under the following heads:

- Financial Intermediations
- Generation of Savings
- Credit creation
- Promotion of Liquidity
- Inter-regional Mobilisation of Resources
- Subsidiary Services



Distribution of Banks in Rural India

This exploratory investigation of the rural economy in India shows how different types of banks are distributed throughout the sector.

Table 1: Bank Group-Wise Number of Branches in Rural Region

Bank Group	Number of Branches
Public Sector Banks	28828
Private Sector Banks	7,431
Foreign Banks	124
Total	36383

Source: Reserve Bank of India Reports

As per the data published by Reserve Bank of India,28828 branches of public sector banks are working in rural areas in India 7431 private sector banks are established and smoothly working in rural part in India for connectivity of financial services to villagers. 124 foreign banks established and working properly in rural areas for rural development in India. As per analysis of this table it is found that banks are establishing their branches to connect villagers in financial inclusion and improving their livelihood by providing subsidies and government programmes among themselves.

Conclusion

Many people in rural areas, both those who are officially unemployed and those who are working under false pretenses, rely on agriculture as their primary means of subsistence. A better standard of living is within reach of even the poorest people thanks to agriculture, which helps level the economic playing field in our society. The positive effects on a country's economy are numerous, as demonstrated by our research, and they all arise in the setting of agriculture where financial inclusion and social sector investment are prevalent. Financial inclusion has the ability to provide a much-needed boost to economic development and inclusive growth in a developing country such as India, which is characterised by agricultural over-dependence and severe inequality. India has seen a dramatic rise in the availability of direct loans for farmers, while the share of informal lenders has declined. However, the shrinking contribution of agriculture to the country's GDP raises a serious social problem. As a result, major agricultural farms are able to reap the benefits of financial institutions and social credit transfers, while small farms, which make up the poorer segment of society, are left out in the cold. What is required to overcome these challenges is a concrete plan of action and its proper implementation so that financial inclusion can indeed pave the way for major agricultural development in the country and bring about inclusive growth, thus reducing and eventually eliminating the poverty and inequality conditions that prevail in the country. Finally, we see a time when all Indians have access to banking services and can take part in the economy as equals.

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