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REGIONAL RURAL BANKS AND RURAL BANKING IN INDIA

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Abstract: Regional rural Banks plays a vital role in the agriculture and rural development of India. The RRBS have more reached to the rural area of India, through their huge network. The success of rural credit in India is largely depends on their financial strength. RRBs are key financing institution at the rural level which shoulders responsibility of meeting credit needs of different types of agriculture credit in rural areas. The process of economic development, the banks are to play an innovation role by introducing newness in delivery and recovery system. It is impossible for the farmers and other target groups in rural areas to save first a certain amount of deposits and then undertake investment in land or allied activities or service sector. It would be more realistic first to help them with a loan to invest in their familiar sector, so as to enable them to raise their productivity and income. The banks should then recover loans from the increase income.. At present, most of the regional rural banks are facing the problems of overdue, recovery, nonperforming assets and other problems. Therefore, it is necessary to study financial performance of RRBs in India. This paper made an attempt analyse RRBS and rural banking in india.

Key words: Regional rural banks Agriculture, Government, Rural economy.

Introduction

The primary goal of Regional Rural Banks was to end the rural debt culture and close the credit gap that existed between geographical regions. Regional Rural Banks are government owned scheduled commercial banks of India that operate at regional level in different states of India. The rural development is mainly concerned with increasing the income of the low-income groups in rural society. The developing countries are usually surplus in labour force. Uneconomic holdings provide insufficient income. The survival of the households would depend upon the non-farm activities. The non-farm sector absorbed the unemployed and underemployed rural labour forces and segments the income and employment of the rural households. Further, if the labour-intensive farm strategy is designed to

increase employment opportunities, the rural low-income groups are not in a position to get sufficient employment opportunities particularly in slack season. Therefore, the non-farm sector becomes an important employment potential sector in these countries. So, through RRBS rural development is partially low-income, there are 43 RRBs in India serving 14494 branches in 525 districts across the country. the RRBs are to be set-up mainly with a view to develop rural economy by providing credit facilities for the purpose of development of agriculture, trade, commerce, industry and other productive activities in the rural areas. Regional rural banks, by bringing credit facilities closer to the poorer sections of the rural population, will help to free them from the grip of the moneylender. In addition, it should be noted that small/marginal farmers, agricultural labourers, artisans, and other vulnerable groups in rural areas are the primary recipients of loan assistance from regional rural banks. These banks are under the ownership of Ministry of Finance, Government of India and a sponsored commercial bank. They were created to serve rural areas with basic banking and financial services, agricultural and rural development. The area of operation of a rural bank is limited to a specified region which comprises of one or more districts. These banks cannot have a lending rate which is higher than the prevailing lending rate of cooperative credit societies in any particular state. The main factor that has contributed to their loss of profitability is that they exclusively lend to the poorer sections at low-interest rates, despite the fact that their operational costs in handling small loans are quite high which made regional rural banks are more challenging. The salary structure of the employees of these banks is fixed in consonance with the salary structure of the employees of the state government, local authorities of comparable level and status in the area. They are public sector banks. The paid-up capital of each bank is Rs. 25 lakhs. 50 percent of the capital is contributed by the Central Government. The concerned state government contributes 15 percent. 35 percent is contributed by the sponsoring public-sector commercial banks. Providing of loans and advance to the farmers and other person already engaged in agriculture activities. RRBS Providing of loans and advance to the co-operative societies and other society which are involved in agriculture processing. During the first 10 years of their formation, the number reached 183 banks with a large number of them coming up in Uttar Pradesh, Rajasthan, Bihar, and Madhya Pradesh. By 1987, 196 RRBs were present in 363 districts in the country. But this model's path was not so rosy, as it took long years for many RRBs to attain break-even point. It was time to restructure their operations and the Government initiated the first round of amalgamation of RRBs in the country in 2005. RRBS will also Accepting the various types of deposits from the rural and other connected areas. providing loans and advances to small entrepreneurs and others who are engaged in trade, commerce and industry in rural areas.

A brief history of development RRBS

The establishment of RRBs in working committee report dated July 30, 1975, the Working Group headed by Shri M. Narsimha recommended the establishment of a new type of institution to supplement the efforts of commercial and cooperative institutions in the rural sector. Such Rural banks were to be established in areas with a weak credit structure. This was the start of Regional Rural Banks, which made rapid progress in the decade that followed. The first five regional rural banks were established on October 2, 1975, in West Bengal, Uttar Pradesh, Rajasthan, Karnataka and Haryana. In 1977, the government established the Review Committee on Regional Rural Banks, chaired by Prof. M.L. Dantwala, to investigate the operation of RRBs. The committee made several recommendations, including encouraging the establishment of RRBs in areas where central co-operative banks can be converted to RRBs. This is the way where RRBS were established. According to the committee, the better-off segments of rural society should not be completely denied credit because this would have a negative impact on mobilisation and depress it.

Objective of the study

1. To study the existing promotional strategy of rural Banking in India
2. To study the existing coverage of operational activity role of Regional rural banks in India
3. To explore the possibilities of marketing strategies for the effective rural banks

Research Methodology

A study of the RRBs and rural banking in India was conducted for the purpose of this research. The information for this study was gathered from prior studies in the literature as well as from primary and secondary sources in the rural banking industry and the research articles.

Analysis of the study

The rural development of India in the light of the different Grameen Bank of Kolar regarding Poverty Alleviation Programme Regional rural banks & co-operative banks with a large network of more than 153,000 retail credit outlets (one for every 4100 population). Yet reaching the poorest, whose credit requirements are very small, frequent and unpredictable, is still a difficult task and "Sahukars" continues to be the main agency. Further the systems and lengthy procedures of the banking institution with emphasis on complicated qualifying requirements, tangible collateral margin etc. also kept them away from these formal agencies. The commercial Banks and co-operatives have created considerable regional disparity in rural areas. Large portion of credit has gone to a law irrigated areas and several parts of the country have remained without banking facilities and are under financed. In

the large and complex situation of our rural credit structure there cannot be any one solution to solve the residual problems of rural credit system. the credit needs of Therefore rural people are fulfilled by RRBs. In addition, the majority of the county's population, more so marginal and disadvantaged sections of society, stay in villages. There is a lack of infrastructure in Villages. Infrastructure development like electricity, irrigation, credit, marketing, transport facilities, etc., needs to be addressed here RRBs has to play significant role by proving loan facilities to different projects. RRBs has play the important role in the reduction of poverty is important because rural areas have the maximum people are living below poverty line, about 30% of the population is below the poverty line. The present study is a modest attempt to make an appraisal of the rural credit structure and the role played by RRBs in the development of rural economy. The objective of this paper is to analyse the rural credit and the role played by the RRBs in the priority and non-priority sector landings. Their financial needs are linked to their life cycle needs, ranging from savings to creditto insurance to remittances. In fact, even the savings and credit products currently offered to rural customers do not entirely meet their needs. The savings and investment facilities are critical for the poor of rural areas. The two critical needs for the rural poor are micro-savings and frequent withdrawals. In RRBS These kinds ofneeds facilitate a customer in building capital over the long term at the rural areas, if there are finding any credit shortage in the near term RRBs paly very important role by providing, loan facilities. However, banks do not offer adequate services to address these needs. The lack of services, therefore, leaves the rural poor with little option than to transact with the informal banking. Karnataka Grameen bank crosses 50000 crore Total business, 28435 crore deposits with the net profit 19 crore of as on March 2020. RRBs will be helpful Accept small amounts, provide doorstep service, and ensure ease of enrolment. Rural customers need loans notonly for productive purposes but also for consumption needs by Karnataka Grameen bank. RRBs a part fromagricultural support, rural customers need micro credit for consumption, education and emergencies. As Gandhiji said "Real India lies in villages," and village economy is the backbone of the economic development. The Non-Performing assets Banks have higher non-performing loans in rural areas because rural households have irregular incomeof the farmers due to uneven distribution monsoon and low-income level of the farmers. NPAs from the agriculture sector are 7.9%, compared to 3.7% across non- agriculture sectors.

Promotional strategy of RRBS

Direct marketing RRBS will use direct marketing to acquire new customers and enhance the experience of existing customers to improve retention and strengthen loyalty. They will also through multiple channels including direct mail, email, web and SMS, based on our customer's preferences. Interactive marketing as a bank we listen to our customers' voices- in branches and across all digital channels, including social media. As banking has become substantially more sophisticated, we try to innovate in the online banking, listen to customer voices across physical and digital channels, mobile services and

on social media. Word-of-mouth marketing RRBS are aware that banking industry is going through turbulent times. In this era of mature and intense competitive pressures, it is imperative that banks maintain a loyal customer base. To achieve this objective and improve our market and profit positions, we are directing our strategies toward increasing customer satisfaction and loyalty through improved service quality. In the present context, that is characterized by rapid change and sophisticated customers, it is important that banks in Ghana determine service quality factors, which are pertinent to the customers' selection process, as well as the dimensionality of customer-perceived service quality. If service quality dimensions are identified, service managers can improve the delivery of customer perceived quality during the service process and have greater control over the outcome. The viability of regional rural bank with reference to demand and supply of lending locational advantages and dis-advantages, and their functional superiority. In fact, the concept of viability was not very structure of regional rural banks. Regional rural Banks were not viable as they came up mostly in unbanked areas and lending in confined to target group with lower interest rate. Therefore, financial viability cannot be the sole criteria for evaluating the performance of regional rural Banks, but the single offices of regional rural banks have done the fairly well in terms of deposit in commercial banks. RRBS will also Undertake of the supply of agricultural inputs & equipment's to farmers. RRBS are Making backward and tribal areas economically better by opening new branches and extending micro credit facilities and operating the scheme of inclusion. It grants loans and advance only to the small and marginal farmers, agricultural labourer's, small traders\ entrepreneurs. This is sponsored bank. It is sponsored by a scheduled commercial bank. The RRB charges interest rates as adopted by the co-operative society in the state. Personal selling the competition fostered by deregulation of the Ghanaian banking industry, along with increasing complex product/service offerings and the growth of importance of relationship banking have brought the need for personal selling effectiveness to the forefront in the Ghanaian banking industry. These banks can recruit their own field assistants/representatives to make frequent filed visits to villages and help banks to acquire new customers, loans/deposits. These representatives may be village traditional moneylender/village fertilizer shop owner/general stores person or uneducated youth/LIC agent/UTI agent who does have local knowledge, know local people and having confidence by local people. emphasis to be placed more on priority setting in terms of which agroindustries/ crops to be encouraged rather than emphasis on target setting at district level. This approach gives a directive based on social goals to the regional rural banks, without compromising freedom of operations. All the banks operating in a region/district are free to set their own targets.

Conclusion

The changing taste and preference of today's consumers have compelled banks-rural and universal to employ survival strategies in the financial arena to attract and maintain customers. This invariably will enhance service quality in the industry which will boost economic development in the long-run. The strategy is sound, but the reported weaknesses of the programme in its implementation are related with the human aspects. In nutshell, the physical achievements were less than targeted, whereas the financial expenditure incurred was more than anticipated. The help in achieving larger income through more proactive and productive activities by the beneficiaries that would surely help themselves to lead to raise their status Banking institutions must formulate, and put into force techniques that will allow them to have a competitive edge over their contemporaries in the market. The competitive aim is to provide satisfactory customers service and less developed regions and poor people.

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