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## Role Of Regional Rural Banks In Rural Development In Uttar Pradesh

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### Abstract

The importance of rural finance was felt to provide reliance & protection to rural people who trust highly on informal source of finance like moneylenders, landlords & traders etc, but they exploit farmers by charging exorbitant rate of interest & force farmers to sell their agriculture product at low price to them, Rural People also face the risk of unpredictable production of crops due to high dependency on monsoon. The main problem of finance suffer from lack of seeds, fertilizers, water supply and other facilities which lead to rural ineptness, Rural bank are providing finance to the weaker sections of society like small farmers, rural artisans, small producers, rural laborers etc, to provide finance to cooperative societies, primary credit societies, Agricultural marketing societies, Enhance & Improve banking facilities to semi urban, rural. The Regional Rural Banks are helping the rural people to come out from the poverty and secured the financial assistance to agriculture in India. Aryavart Bank, Baroda U.P.Bank and prathma UP Garmin Bank are main three RRB's of Uttar Pradesh. These RRB's of Uttar Pradesh. These RRB's are providing important role in social and economic development of rural Uttar Pradesh.

Key Words :- Regional Rural Banks, Credit facilities to agriculture Performance of RRB's Economy, Uttar Pradesh, Aryavart Bank, Baroda UP Bank, Prathma UP Garmin Bank, Rural Development , Hathras ,beneficiaries , Rural areas

## (I) INTRODUCTION

Agriculture is a major activity of livelihood in Rural India. The majority of Indian people living in rural areas and the Indian economy depend from last 75 years. Agriculture financing is best done by financial Institution that have the capacity to diversify across geographical regions, economic sectors and agriculture sub sector, agriculture finance significance is to increase access to financial services for whole Development of farmers and other enterprises in rural areas. In most of the cases, the Indian farmer are not able to meet the expenditure, because of low size of the holding, low productivity, low income and high level of consumption for domestic want. In earlier days the agriculture finance is provided only by Co- operatives , land development banks and private money lenders. After nationalization of commercial Banks (1969) and establishment of Regional rural Banks in 1975 both banks are extending credit facilities for agriculture purpose. As agriculture sector contributes about 40% of worldwide employment and a 100% food production increase will be required in developing countries to feed the 2050 population. Technology plays an important role in the management of high yielding variety seeds has increased productivity of crops considerably.

Though the outreach and amount of agricultural credit have increased over the years, several weaknesses have crept which have affected the viability and sustainability of these institutions. Following the shifts in consumption and dietary patterns from cereals to non- cereal products, a silent transformation is taking place in rural areas calling for diversification in agriculture production and value addition processes in order to protect employment and income of the rural population. In the changed scenario strong and viable agriculture financial institutions are needed to cater to the requirements of finance for building the necessary institutional and marketing infrastructure. The needed in agriculture now is a new mission mode akin to what was done in the 1970s with the green revolution . the difference now is that initiatives are needed in a disaggregated manner in many different segments of agriculture and agro-industry: horticulture , aquaculture, pisciculture , dairying, sericulture, poultry, vegetables, meat and food processing other agro-processing . Reaching the poorest in rural India ensuring credit and financial services for small and marginal farmers. The development of Rural areas is taking shape in the presence of Regional Rural banks.

## (II) OBJECTIVES OF THE STUDY

1. To study the national policy and programmers in rural credit in India in general particularly in Uttar Pradesh.
2. To analyze institutionalization of credit, commercialization of agriculture and adequacy of credit flow for production and consumption purpose.
3. To analyze the performance of Regional Rural Banks in the sence of social and economic development of rural areas

Keeping the above objectives in view the researchers made an attempt to study the financing of agriculture sector with reference to RRB's in UP.

## III. REGIONAL RURAL BANKS IN INDIA AND UTTAR PRADESH

The people of rural areas in India such as small and marginal farmers, agricultural laborers have been exploited in the name of credit facility by informal sectors. The rural credit market consist of both in formal and formal financial agencies that meet the credit needs to the cultivators in India. The informal sector providers loans at very high rate of interest, the terms and conditions attached to such loans have given rise to an elaborate structure of intimidation of economic and noneconomic conditions in the rural population of India. The study of total formal credit is inadequate and rural credit is inadequate rural credit markets are imperfect and fragmented.

Regional Rural Banks in India was establishing first time in years 1975. It's the Narasimham Committee that conceptualized the foundation of Regional Rural Banks in India. The committee felt the need of regionally oriented rural bank's that would address the problems and requirements of the rural people. The Regional Rural Banks were established under the provisions of an ordinance promulgated on the 26<sup>th</sup> September 1975 and the RRB Act, 1975 with an objective to ensure sufficient institutional credit for agriculture and other rural sectors. The RRBs mobilize financial resources from rural/semi urban areas and grant loans and advances mostly to small and marginal and landless farmers, agricultural laborers and rural artisans. The objectives of RRB are to provide cheap and liberal credit facilities to small and marginal and landless farmers, agriculture, rural artisans to save the rural poor from the money lenders, to act as a catalyst element and there by accelerate the economic growth and development in the particular region. To create the banking habits among the rural people and mobilize savings for the economic development of rural areas. To impart to the needs of the backward areas which are not covered by the other efforts of the Government.

After the merger (2019) of RRB's. there are only three RRB's in Uttar Pradesh name with Aryavart Bank, Broda UP bank and prathma U P Gramin Bank.

**Aryavart Bank:-**Aryavart bank is a second largest RRB in uttar Pradesh with 22 regional office and 1365 branches is rural and semi urban area of 25 districts. The head office of Aryavart bank is located is Lucknow, the capital of UP.

**Baroda U.P. Bank:-** Baroda UP bank created in 1<sup>st</sup> April 2020 with the merger of three RRB's, head office of Baroda UP Bank is located in Hindu holy city Gorakhpur . It operates 1982 branches in 31 districts and all most branches in rural areas.

**Prathma UP Gramin Bank :-** Prathma UP Gramin bank is operating its branches in up west area. Moradabad is the head office of it and famous with pital nagri, about 9381 branches are working in 19 districts with one branch in haridwar Utrakand and Panjab National bank is the sponcer bank of prathma UP Gramin Bank.

Table:-1

Parameter	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
No. of RRB's (All over India)	56	56	56	53	45	43
Branches (all Over India)	20,920	21,422	21,747	21,871	21,847	21,856
Branches (in UP)	4,133	4,241	4,281	4,286	4,286	4,286
Percent Branches in U.P.	19.75	19.79	19.68	19.59	19.62	19.61

Source: RBI

#### (IV) RURAL CREDIT SYSTEM IN INDIA & UTTAR PREDSEH

Money lenders in India are as old as its villages, agricultural credit cooperatives go back a century, commercial banks have been involved in agricultural loans for nearly 60 years, the regional rural bank network is over 46 years old, and reforms in the banking system were triggered two decade back. Yet, credit flow to small farmers and artisans has remained far below needs, both for crop cultivation and for long term requirements such as land development, Irrigation , farm equipment cottage industry as compared to the potential demand. The wide spread discontent among farmers has manifested itself in the form of mass voting against incumbent governments as also individual acts of despair such as farmers committing suicide, particularly in states like Uttar Pradesh and Maharashtra. The structure of rural and agricultural credit system in India shows in exhibit, which is self explanatory.

## A. Financial Performance of RRBs during FY 2020-21

Comparative position of Key Performance indicators of RRBs are furnished in Annexure-1

**(A.1) Agency-wise Credit Flow to Agriculture in India**

The total credit flow to agriculture, agency-wise during the last four –year period by all agencies is given below. It may be seen from Table 1 that the share of RRBs in GLC (Ground level credit) flow to agriculture was 12.1% in 2021-21

**Table 2: Ground level Credit Flow of different agencies****Creore**

Agency	GLC	2017-18	2018-19	2019-20	2020-21
Cooperatives	Amount	1,50,321	1,52,340	1,57,367	,190,682
	% share	12.9	12.1	11.3	12.1
RRBs	Amount	1,41,216	1,49,667	1,65,326	1,90,012
	% share	12.1	11.9	11.9	12.1
Commercial Banks	Amount	8,71,080	9,54,823	10,70,036	11,94,704
	% share	74.9	76	76.8	75.8
Total		11,62,617	12,56,830	1,392,729	15,75,398

**(B) Performance of RRBs in UP**

(Rs. In Crore)

Table:- 3

S.NO.	Particular	2015-16	2016-17	2017-18	2018-19	2019-20
1	No. of Branches	4133	4241	4281	4286	4286
2	Own Funds	5728.42	6203.15	5829.8	6185.8	NA
3	Deposits	63997.99	76755.05	83200	88105	NA
4	Borrowings	7416.51	7956.39	8525.1	6781	NA
5	Investments	2999.86	46053.83	40934	29936	NA
6	Advance O/S	36590.42	41304.51	43370	49737	NA
7	Net Profit	474.73	435.04	411.94	388.97	NA
8	Gross NPA(%)	7.82	8.61	10.28	15.14	NA
9	CD Ratio	60.07	55.13	50.8	56.45	NA
10	Recovery (%)	75.57	64.96	71.2	NA	NA

Source:- NABARD PLP 2020-21

**(V) Over view of Uttar Pradesh and Hathras district:-****Uttar Pradesh**

Uttar Pradesh is a state of India subcontinent. It is part of northern India and bicameral federal state of India. India republic state UP was created on 1<sup>st</sup> April 1937 as the united province of Agra and Awadhi during British rule, and was renamed Uttar Pradesh in 1950. The population of Uttar Pradesh is 200 million roughly. The state is divided into 18 divisions and 75 districts with capital being Lucknow. Two major rivers Ganga and Yamuna flow in the state. The main livelihood in rural Uttar Pradesh remains agriculture and activity characterized by a significant time lag in production and a high degree of sensitivity to weather conditions.

**Hathras:-**

Hathras is a district of Uttar Pradesh state of India. The city of Hathras is the district headquarter. Hathras district is a part of Aligarh division. The district occupies an area of 1840 square kilometers and has a population of 1,56,4,708 as of the 2011 census. The district comprises four tehsils, Hathras, Sadabad, Sikandra Rao and Sasni. There are 683 revenue villages in Hathras district.

**(A) The Sample Design:-**

The selection of account holders was based on stratified random sampling of two localities 'BAMNAI' and 'CHHONDA-GADUA', located in district 'HATHRAS'. The respondents chosen were pre-merger a/c holders. As merger of Gramin Bank of Aryavart with Allahabad UP Gramin Bank in 01.04.2019, to create a new bank name with 'ARYAVART BANK'. The data was collected from account holders having their account since 2018 and before it. The total number of 80 respondents were interviewed 40 from each branch.

**(B) Methodology:-**

The personal interview method was used to collect important and necessary information from chosen respondents. A cross-sectional approach was used to evaluate the economic impact on rural account holders of Aryavart Bank. The respondents having current and saving for more than a quinquennial have been randomly selected to estimate the economic and social development of rural people.

**(C) Analysis of data:-**

The data has been analysed using qualitative theme framework analysis using excel software. Formulas used were growth percentage, countif and sum function, percentage and proportions. The raw data collected was edited, coded, themed and analysed using excel formulae.

**(D) Limitation of the study:-**

1. The sample size is not so adequate that cover maximum number of account holders.
2. The research work is the analysis of financial data collected from secondary sources.
3. The area of study in HATHRAS district, so generalization of the results of the study could only be restricted to the area of under inspection.
4. Almost of information and data will be based on verbal responses of the respondents the chance of bias is there. It is also likely that some of the answer might not fully and correctly reflect the internal aspirations and thoughts of the respondents about the rural financing operations of the RRBS.

**(VII) Primary data interview:- Respondents of Aryavart Bank**

Primary data Collection is through scheduled interview method for which respondents of two local branches of Aryavart Bank named with 'BAMNAI' and 'CHHONDA-GADUA' were interviewed for this study. This study is designed to present the empirical analysis of the main theme under study which are:-

(A) Gender wise sample distribution:-

Table:-4

S.No.	Gender	Total	Percentage
1	Male	61	76.25
2	Female	19	23.75
Total		80	100

Table 4 represent the sample distribution with gender category. Total number of 80 respondents were interviewed in which 61 were male respondents while 19 were female respondents. The table show that almost beneficiary were male about 76.25 percent of total respondent and only 23.75 percent beneficiary were female candidate. It is found that almost female not have any agriculture land in Indian rural society.

(B) Social Category wise Sample Distribution:-

Table 5:-

S.No.	Category	Total	Percent
1	General	35	43.75
2	Other Backward Class	26	32.5
3	Scheduled	19	23.75
	Cast/Tribes		
Total		80	100

Social category is an important component of Indian society. The table 5 is mirror for social –category wise distribution of RRB's beneficiary. According to the table 35 respondents with percent 43.75 were General category or 26 respondents with 32.5Percent were OBC but only 19 respondents were SC/ST category. The reason of this phenomenon was no agriculture land SC/ST have.



**(C) Purpose wise sample distribution**

Table:-6

S.No	purpose	Total	Percentage
1	Crop purpose	32	40
2	Animal Husbandry	27	33.75
3	MSME	9	11.25
4	other	12	15
Total		80	100

Table no 6 represent the purpose or aim of loan which is issued for beneficiary . According to the table, 32 person answered that they borrow for crope purpose, 27 respondent tell us that they borrow for Animal husbandry, 09 person was for MSME while only 12 persons answer that they use their loan in other purpose. The percentage of crop, Animal husbandry, MSME and other purpose is 40%, 33.75%, 11.25%, and 15% respectively. Only two activity, crop and Animal husbandry covers about 70% or more percent with 59 beneficiary out of 80 because the people of rural areas are involve in forming and animal rearing activities.

**(D) Positive Change in Status of beneficiaries after obtaining Bank credit ( on the base of Question) :-**

Table :- 7

S.No.	Status	Yes	No	Total
1	Indebtness of money landers	80(100%)	nil	80(100%)
2	Saving formation	72(90%)	8(10%)	80(100%)
3	Assets formation	69(86.25%)	11(13.75%)	80(100%)
4	Improvement in living Standard	76(95%)	4(5%)	80(100%)
5	Income genration	78(97.5%)	02(2.5%)	80(100%)
Total frequencies		375(93.75%)	25(6.25%)	400(100%)

Table 7 is the profile of change of social and economic status of rural beneficiaries and represent the economic development of people due to Bank credit. There are five diminution of economic and social development which is mentioned in table. 80 respondents out o 80 answered that they have no loan of local money lenders after obtaining the loan of RRBs and now they did not move to local money lender for credit.

Second largest diminution is related to income generation of respondent, 78 respondent out of 80 tell us that there income is increased after obtaining the loan from RRB's because they use it in different occupation. 95 percent (76 respondent out of 80) improved their living standard while 4 respondent say they have no change in their living standard. It is found that 72 respondent answer was yes for saving formation while 08

respondents answer were No. Assets formation dimension of development represent that 69 respondent create the assets while 11 respondent answer was they did not create any assets after obtaining the RRB's credit. Total 375 (93.75) frequencies of question have answer in YES form but only 25(6.25%) frequencies of questions have answer in 'NO' form.

### (VIII) CONCLUSION

Uttar Pradesh (India) is primary agricultural based and rural density populated State compared with urban areas, which needs the financial assistance as well as rural friendly policies to develop rural areas. The RRBs are playing a vital role in the development of rural and needy agriculture poor people in all spheres. The RRB's are the growing banks in Uttar Pradesh to serve the poor agricultural farmers. There is a consistent improvement in all the thrust areas of social and economic development of rural Uttar Pradesh after the loan distribution by the RRB's

### (IX) SUGGESTIONS

The growth of branches in the study period is meagre which is not in tune with the population growth in absolute figures. Hence there is every need for RRB's to increase the number of branches in order to increase its network and also to facilitate the small and medium farmers.

By analyzing the performance of the RRB's the bank has to improve the credit facility system to agriculture farming communities.

It needs more ATMs in the rural areas as well as urban areas to enhance their Services.

It has to expand its branches in rural areas of UP for rural people.

Conducting farmers financial awareness programs in rural areas.

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