

Banks is Key of Rural Development

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Abstract— Rural development is a process that aims at improving the standard of living of the people living in the rural areas. India is a country of villages and its development is synonymous with the development of the people living in rural areas. India is a vast and second most populous country of the world. According to the 1991 census, 74.28 percent population of our country resides in the countryside. Rural development has been receiving increasing attention of the governments across the world. Banks have contributed a lot in developing in rural India. Regional rural banks were also created to meet the credit requirements of only weaker sections and small entrepreneurs. The RRBs were setup in 1975 as the 'poor man's bank' or 'low cost banks' to supplement the efforts of cooperative and commercial banks. The RRBs since then have passed through various phases and now have been recognized as integral part of rural credit delivery system in the country. India is a country of villages. According to Census of India's 2011 Provisional Population, out of 121 crore Indians, 83.3 crore live in rural areas while 37.7 crore stay in urban areas. There are about 6 lakhs villages in our country. Around 70% of the population of India lives in villages i.e. rural areas. So the rural areas need to be developed. This research paper is based on the secondary data and its focusing how Nationalized banks, RRB's private banks and co-operative banks contribute their role for the development of rural area.

Key words: Rural development, Nationalized Bank, RRB, Private Bank, Co-operative banks

I. INTRODUCTION

India consists of more than 500 villages. It is known as a rural economy as around 70 percent of its population resides in the villages. Rural development is to provide the better infrastructure, agriculture development, public health services business and financial services in rural areas. Rural development has been receiving increasing attention of the governments across the world. Banks have contributed a lot in developing in rural India. Regional rural banks were also created to meet the credit requirements of only weaker sections and small entrepreneurs. The RRBs were setup in 1975 as the 'poor man's bank' or 'low cost banks' to supplement the efforts of cooperative and commercial banks. The RRBs since then have passed through various phases and now have been recognized as integral part of rural credit delivery system in the country.

Rural areas are facing major challenges today which arise mainly from globalization, demographic change and the rural migration of young, well-trained people. Policies for rural areas aim to contribute to recognizing and making use of strengths and opportunities. Rural development implies both the economic betterment of people as well as greater social transformation. In order to provide the rural people with better prospects for economic development, increased participation of people in the rural development programmes,

decentralization of planning, better enforcement of land reforms and greater access to credit are envisage.

A. Objectives of the Study

The study aims at:

- 1) Throwing light on various programmes/policies adopted by the Government of India for rural development through banks
- 2) Discussing about Nationalized Bank, Regional Rural Banks (RRBs), private banks and co-operative banks in short
- 3) To analysis the contribution of banks to rural development.

II. METHODOLOGY

The study is based on secondary sources of data information. Different books, journals, newspapers and relevant websites have been consulted in order to make the study an effective one.

III. REVIEW OF LITERATURE.

A number of studies related to rural development of Nationalized, RRB'S, Private sector, cooperative banking sector in India have been conducted. Here, an attempt is being made to provide an overview of various aspects and issues of this study through the review of existing literature. Some of the main studies selected for review have been discussed below.

Uttam Kumar Saikia (2015) in his study observed that, the cooperative bank has to mobilize considerable deposits, allocate a good percentage of its funds to priority areas like agriculture and allied activities. The cooperative sector is more capacity building efforts on rural livelihoods in grassroots levels for better bank-borrower relationship, financial inclusion and social security in rural India. Manas Chakrabarti,(2013) observed in his study the commercial banks and the co-operatives, RRBs are serving a class of clientele belonging to the rural poor like rural artisans, petty shopkeepers, small traders, village entrepreneur and people engaged in service sector and also people belonging to the lower income group in these rural areas, physically handicapped persons and widows as well. These banks are playing a significant role in ensuring sustainable development through financial inclusion. Anil Kumar Soni and Harjinder Pal Singh Saluja,(2013) observed that Cooperative banks belong to the oldest forms of the collective action in India playing essential role in the realization of the agricultural and in local development. They serve both rural and urban population, and are main banks in India supporting development of agriculture and rural areas. Manohar Kacharu Sanap,(2008) in his study, the rural banking in the economic development of a country cannot be overlooked. As Gandhiji said "real India lies in villages," and village economy is the backbone of Indian economy. Swapan Kumar Roy,(2014) his study examined that, Rural development in India is very

much needed for the growth of Indian economy. Different approaches, strategies and programmes have been taken for the uplift of rural development. Kanthimathinathan,(2016) found that, the RRB's have been conceived to combine the strong points of both the cooperative and commercial banks eliminating the weakness of both. Thus, the RRB's combine the local base and the rural touch of the co-operatives with the organizational efficiency and financial strength of the commercial banking system. Rabi N. Patra, Mahendra P. Agasty,(2013) examined that, Credit is the most vital input for economic activities in the rural areas and cooperative credit institutions are the main purveyors, other agencies being commercial banks and regional rural banks . Patil S. K.,(2014) found that the RRBs since then have passed through various phases and now have been recognized as integral part of rural credit delivery system in the country. The financial sector reforms that were introduced aimed at transforming the financial institutions including RRBs into organizationally strong, financially viable and operationally efficient units. Seema Rafique, Satish Manwani (2013)says that, the initiative taken by the RBI to set-up the Regional Rural Banks and other such banks to promote banking in the rural India has come as a boom for these areas. The rural credit structure consists of priority sector and the non-priority sector.

A. Rural Development: Government's Initiatives

1) Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)

National Rural Employment Guarantee Act was enacted on 5th September, 2005 and came into force w.e.f. 2nd February, 2006. On 31st December, 2009, the Act was renamed by an Amendment as the Mahatma Gandhi National Rural Employment Guarantee Act. This programme directly touches lives of the poor and promotes inclusive growth. The Act aims at enhancing livelihood security of households in rural areas of the country by providing at least 100 days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work.

2) Bharat Nirman

Government's initiatives towards the development of rural economy need no description. Our government has taken a number of initiatives for the development of rural people living in rural areas. Bharat Nirman is one of such initiatives, which aims at upgrading rural infrastructure in a time-bound manner. The Government of India launched it in 2005-06. It is an important initiative for reducing the gap between rural and urban areas and improving the quality of life of people in rural areas. Bharat Nirman programme launched by the Government of India identified six core infrastructure sectors in rural in Roads, Electricity, Drinking water, Telecommunication, Irrigation, Housing.

a) Pradhan Mantri Gram Sadak Yojana (PMGSY)

The primary objective of the PMGSY is to provide all weather road connectivity to all eligible unconnected habitations in the rural areas having population of 500 persons and above. A habitation which was earlier provided all-weather road connectivity would not be eligible even if the present condition of the road is bad. It shall cover only the rural areas.

b) Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)

Ministry of Power launched Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) as one of its flagship programme in March 2005 with the objective of electrifying over 1 lakh un-electrified villages and to provide free electricity connections to 2.34 crore rural BPL households.

c) Accelerated Rural Water Supply Programme (ARWSP)

Providing rural areas with safe drinking water facilities was one of the key objectives of the plan.

d) Village Public Telephones (VPT):

Telephone connectivity constitutes an important part of effort to upgrade the rural infrastructure. It aims at increasing the rural telecommunication facilities by 40%. It also aims to supply broadband and Bharat Nirman Seva Kendras in 2.5 lakh panchayats. According to this plan, the government of India will connect each and every village by telecommunication facilities.

e) Accelerated Irrigation Benefit Programme (AIBP)

The irrigation component of Bharat Nirman aimed at creation of irrigation potential of 10 million hectare during 4 years i.e. from 2005-06 to 2008-09. The target for creation of irrigation potential was proposed to be met through completion of on-going major and medium irrigation projects, extension, renovation and modernization of major and medium irrigation projects etc.

f) Indira Awaas Yojana

IAY is one of the very popular schemes of the Ministry of Rural Development and has caught the attention of the rural people. It is a rural housing project for the poor. It has been in operation since 1985-86. The objective of the IAY is to provide financial assistance for construction/ upgradation of houses to BPL rural households belonging to SCs, STs, freed bonded labourers, non-SC/ST rural households, widows and physically handicapped persons living in rural areas.

As on 30/6/2009 Economic survey report 2009-10 P A-58 from 1969 to 2009 total public sector banks including SBI and Associates nationalized Nationalized and RRB having 7,015(1969),61,446(2004),71,196(2009) Out of these 30,688 branches in Rural area. Other scheduled commercial banks 1126,foreign banks 4,all scheduled banks 31,818, non-scheduled commercial banks 11, all commercial banks 31,829 branches providing the services in rural area.

B. Rural Development Programmes.

Programmes on Minimum Basic Needs	National Maternity Benefit Scheme
Public Distribution System (PDS)	Integrated Child Development Service (ICDS)
Rural Water Supply Programme	Balika Samridhi Yojana
Rural Sanitation	Early Child Care Scheme
Rural Electrification	National Handicap Aid Programme
Self-employment Programmes	National Widow Grants in Aid Scheme
Integrated Rural Development Programme (IRDP)	Rural Housing Schemes

Training for Rural Youth for Self Employment (TRYSEM) Development of Women and Child in Rural Areas (DWCRA) Swarnajayanti Gram Swarozgar Yojana (SGSY) Wage Employment Generating Schemes (WEGS) Jawahar Rozgar Yojana (JRY) Sampoorna Grameen Rozgar Yojana (SGRY) Employment Assurance Schemes (EAS) National Food-for-Work Programme (NFFWP) National Rural Employment Guarantee Scheme (NREGS) Social Welfare Oriented Programmes (SWOP) National Social Assistance Programme (NSAP) Aam Admi Bima Yojana (AABY) Rashtriya Swashtya Bima Yojana (RSBY) National Old Age Pension Scheme National Family Benefit Scheme	Indira Awaas Yojana (IAY) Mukhya Mantri Awaas Yojana (MMAY) Special Area Programme Drought Prone Areas Programme (DPAP) Desert Development Programme (DDP) Programmes on Education Schemes for Scholarship for Primary Education Mid-Day Meal Scheme Adult Education or Neo-Literate Programmes Sarva Shiksha Abhiyan (SSA) Other Programmes Rajiv Gandhi National Drinking Water Mission Backward Region Grant Fund (BRGF) State Rural Business Hub (SRBH) Rural Produced Marketing Centre (RPMC) Sikkim Renewable Energy Development Agency (SREDA) Pradhan Mantri Gram Sadak Yojana (PMGSY) Model Village
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Table 1:

The RRBs Act was enacted in 1976 when NABARD was not in existence. As a result, in the RRBs Act, there is no mention of NABARD. Since RRBs deal with rural credit and since institutions dealing in rural credit are the concern of NABARD, the responsibility of overseeing the overall functioning of RRBs devolves on NABARD. The Government of India has recently issued instructions to RRBs that all matters pertaining their functioning interpretations relating the circulars earlier issued by Government of India etc. may be referred to NABARD and not to the Government of India. It is an apex Development Bank with a mandate for facilitating credit flow for promotion and development of agriculture, small scale industries, cottage and village industries, handicrafts and other rural crafts. It also has the mandate to support all other allied economic activities in rural areas, promote integrated and sustainable rural development and secure prosperity of rural areas. In discharging its role as a facilitator for rural prosperity, NABARD is entrusted with providing refinance to lending institutions in rural areas, bringing about or promoting institutional development and evaluating, monitoring and inspecting the client banks. The objective of the bank is to develop rural economy by providing credit and deposit facilities for agriculture and other productive activities of all kinds in rural areas. It also provides facilities to small and marginal farmers, agricultural labourers, rural artisans and other small entrepreneurs in rural areas. So the RRBs have been playing a catalyst role in the development of rural areas NABARD has effectively brought in a number of innovations in the rural credit domains. Some of these innovation are Formation and linkage of SHGs, Farmers Club, Rural Infrastructure Development Fund, Watershed Development, Kisan Credit Card, District Rural Industries Project.

The Syndicate Bank has its grass roots in the rural sector. The development of the Syndicate Bank was in accordance to the development of the banking sector in India and. The Syndicate Bank has performed actively in the development of the rural sector in India. The Regional Rural Banks in India has actively contributed to the growth of the rural sector. The growth of the rural industries in India and the development of the rural business and economy have been dependent largely on the investment and financial aids

provided by the Regional Rural Banks in India. NABARD spent in the year 2014-15 19,665.74 crore and 2015-16 Rs 23,510.19 crore for Rural Infrastructure Development purpose.

C. Co-operative Sector:

The cooperation, which means living, thinking and working together to achieve a common goal through co-operative principles, envisages a group of persons with one or more common economic needs, voluntarily agreeing to pool their resources both human and material and use them for mutual benefit, through an enterprise / organization managed by the group itself in democratic lines. Co-operative Credit Societies Act was passed in 1904, paving the way for the establishment of co-operative credit societies in rural and urban areas. Under this Act, only primary credit societies were permitted to register and non-credit and federal organisations of primary co-operative credit societies were left out. The co-operative banks in India have a history of almost 100 years. The co-operative banks are an important constituent of the Indian Financial System, judging by their role assigned to them, the expectations they are supposed to fulfil, their number, and the number of offices they operate.

D. Private Sector Bank:

Most of the private banks in India have not been able to meet the needs of the farmers although they are expanding their rural and semi urban branch network. The Private sector banks have by and large stayed away from directly lending to small farmers and weaker sections in India's far-flung areas. They achieve their priority lending obligations by buying out loans from non banking institutions or by investing in rural infrastructure development fund of the NABARD. As on 31 March 2011 in India 13 old private sector banks and eight new private sector banks providing agriculture credit. During 1993-2011 8613 rural, semi urban and urban branches to provide the agriculture rural credit in general. Private banks with the help of 2489 branches 15,242 villages allocated its services in the country.

Agency	2011-12	2012-13	2013-14	2014-15	2015-16*
Commercial Banks	3,68,616	4,32,491	5,27,506	6,04,376	6,04,668
Regional Rural Banks	54,450	63,681	82,653	1,02,483	1,19,261
Cooperative Banks	87,963	1,11,203	1,19,964	1,38,469	1,53,295
Total	5,11,029	6,07,375	7,30,123	8,45,328	8,77,224

Table 2: Agency-wise Ground Level Credit Flow
(Amount in crore)

Note: *Provisional

Source: (1) NABARD (based on reporting by RRBs and cooperative banks)
(2) Indian Banks Association (IBA) (for commercial banks, as reported to NABARD)

The agency-wise share of credit flow to the agricultural sector during the last five years is furnished in above table. Agricultural credit disbursement continues to be dominated by commercial banks, followed by cooperative banks and RRBs.

Year	Nationalized bank	RRB	Private bank
2015-16	5,56,846	85,725	3,63,048
2014-15	5,74,591	87,010	3,19,050
2013-14	5,41,342	82,559	3,03,856
2012-13	5,94,132	84,281	2,29,124
2011-2012	5,82,029	83,382	2,02,746

Table 3: Bank group –wise distribution of employee of Nationalized, RRB, Private banks.

Year	No. of Societies	Membership (Actual)	Share Capital	Working Capital
1905-06	5	386	0.11	0.14
1925-26	1603	92,292	35.52	112.38
1950-51	5190	5,01,281	138.74	690.90
1975-76	22713	59,45,009	12,543.00	91,637.00
2000-01	29930	1,61,67,000	1,47,316.00	21,19,867.65
2005-06	32577	2,05,00,000	1,91,700.00	26,47,500.00
2007-08	33394	2,09,00,000	2,69,000.00	27,18,000.00
2008-09	34025	1,87,88,741	2,78,574.89	32,69,321.66
2009-10	34863	1,99,04,730	3,17,136.93	38,24,891.99
2010-11	35502	2,15,33,651	3,47,900.00	41,35,500.00
2011-12	36481	2,63,99,074	3,02,200.00	51,86,400.00
2012-13	37468	2,18,11,687	3,12,900.00	58,69,200.00
2013-14	38430	2,30,15,000	4,11,618.00	65,66,200.00
2014-15	39627	2,23,99,000	4,02,526.00	69,35,300.00
2015-16	40643	2,34,65,000	4,64,418.00	86,21,200.00
2016-17 (Tentative)	41402	2,48,21,000	4,96,174.00	98,36,400.00

Table 4: Highlights of the registered growth of co-operatives.
(Rupees in lakh)

Source: sahakari sindu website

Sl. No	Particulars	As on 31-03-2017 (Tentative)
1	No. of Cooperatives	41,402
	a) which working	36,345
	b) of which defunct	1,706
	c) of which liquidated	3,351
2	Share Capital (Rs. in crores)	4961.74
	a) of which Govt	228.55
	b) of which Members	4733.19
3	Membership	2,48,21,000

4	Working Capital (Rs. in crores)	98,364
5	Deposits (Rs. in crores)	64,634
6	No. of villages covered by co-operatives %	100%
7	No. of cooperatives under Profit	24,619
	No. of cooperative under loss	12399

Table 5: List of co-operative as on 31-03-2017

Source : sahakari sindu website

Acts implemented by Co-operation Department are ,Karnataka Co-operative Societies Act, 1959 and Rules,

1960, Karnataka Moneylender Act, 1961 and Rules, 1965, Pawnbroker Act, 1961 and Rules, 1966, Chit fund Act, 1982. and Chit fund (Karnataka) Rules 1983, Karnataka debt Relief Act 1980, Karnataka public money (recovery of Dues) Act 1980, Karnataka Agricultural credit operations and

Miscellaneous Provisions Act 1974 Karnataka Souharda Co-operative Act, 1997 and Rules 2004, The Karnataka Prohibition Of Charging Exorbitant Interest Act, 2004, Multi - State Co-operative Act (in part).

Region	District	Bank Group	2016-17	2015-16	2014-15	2013-14	2012-13
Southern Region	Bagalkote	RRB	-	4	1	1	1
Southern Region	Belgaum	RRB	5	4	9	5	1
Southern Region	Bejapura	RRB	-	4	-	2	3
Southern Region	Dakshina kannada	RRB	-	1	-	1	2
Southern Region	Dharwad	RRB	-	2	3	1	2
Southern Region	Gadaga	RRB	1	4	-	2	3
Southern Region	Haveri	RRB	1	2	1	3	2
Southern Region	Udupi	RRB	-	1	1	2	1
Southern Region	UtharaKannada	RRB	-	6	3	-	1
		Total	7	28	18	17	16

Table 6: Karnataka vikas Gramina bank population group wise rural area branches for last Five years in karnataka state.

Source : RBI website Data base.

Above table shows that Karnataka Vikas Gramina Bank has opened population wise its Branches in nine district last five years as per the demand of the rural areas of southern region of the Karnataka state. In the year 2016-17 its quite less number of branches opened because of the nationalized private sector and co-operative sector banks increases in its region.

Iteams	2008-09	2009-10	2010-11	2011-12	2012-13
No. of offices	2,343	2,429	2,623	2,828	3,041
No. of employees	25,068	25,569	28,509	26,904	26,606
Business per employee	75.07	74.68	87.54	107.41	125.70
Profit per employee	0.36	0.32	0.40	0.53	0.81

Table 7: Syndicate Bank number of branches, employee, business per employee and profit pe employee of five years (Amount in millions)

Source:RBI Bank profile.

Iteams	2008-09	2009-10	2010-11	2011-12	2012-13
No. of offices	469	486	501	527	574
No. of employees	4,947	5,244	5,795	6,087	6,339
Business per employee	64.90	72.70	77.10	85.90	96.60
Profit per employee	0.50	0.30	0.40	0.40	0.50

Table 8: Karnataka Bank number of branches, employee, business per employee and profit per employee of five years (Amount in millions)

Source:RBI Bank profile.

IV. CONCLUSION

In 1947 when India achieved freedom after British rule new era had begun for Indian population. The independent India

had initiated a planned policy right from the beginning and number of efforts has been made by the country to free the nation from poverty and to eradicate socio-economic inequalities. Since then economic development of the country has been the prime subject of our planners. Agriculture and rural development has been on the priority agenda of our policy makers since independence and considerable efforts have been made to develop the rural credit system as means of rural development .In this direction Five Year Plans laid the foundation for large scale public funded developmental activities in the country. In the era of developing, traditionally banks have viewed rural areas as a segment purely in need of upliftment. Its stress should be laid on deposit mobilization from agriculture sector itself to finance its own credit requirements. Banks offer joint guarantee basis loan to the agriculture sector with the village panchayat. So that banks can concentrate more rural farmer. NABARD, RRB, Co-operatives banks are supplies the maximum credit facilities to the rural development activities in the country so that they can highly participating and financing in development of rural area. The main goal of establishing Regional Rural Banks in India is to provide credit to the rural people who are not economically strong enough, especially the small and marginal farmers, artisans, agricultural laborers and even small entrepreneurs.

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