

## A STUDY ON REGIONAL RURAL BANKS IN INDIA

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### **Abstract**

The study on impact of regional rural banking for the economic development of the country. Regional rural banks are the gamine banks, are Indian scheduled bank operating at regional level, in different states of India. They have been created with a intention to rendering services as a primary objective in rural areas of India with basic banking and financial services. Rural banking is an all-round development of rural areas of the country. In order to support the rural banking sector. The regional rural banks were setup all over the country. It should meet the credit needs of the most under privileged sector of the society, and to grants the various loan to the weaker section people. The main objective of this paper is to show why rural banking is very important to the study; main function of rural bank is how rural bank will plays a very important role for the base of the secondary source. Finally conclude that the rural banks were making the development of the rural people in the fields of agricultural, commerce and the medium and small scale industries in rural areas. The rural banks should build the nation.

Key words:-Rural bank, Financial institution, Financial instrument.

### **Introduction:**

Rural banks are those banks they were operating at a regional level mainly concentrating upon the agricultural and development sectors. It is also called as gamin banks, but today the commercial banks and also regional rural banks placed a main role in the rural areas of the country. Rural banks are mainly focused on the fields of the agricultural, industry, and production activities to makes development of the limited rural areas. When the rural banking system was introduced by the government to promote a economic system of the country. The rural bank was established the Rural banking act of 1976.to improving the weaker section people in the rural areas and also developing the labour unskilled peoples in the area. It providing the banking opportunities and activities to the small and medium scale industries and make a development of the rural area, it also creates a awareness about the banking activities in the minds of un skilled labour. And helps to build the nation.

Generally rural banks deal other facilities especial to the small and marginal formers agricultural labourers artisans and small entrepreneurs in rural areas. Each rural bank will operate within the local limits specified by notification.

### **Statement of the problem:**

The paper mainly states that rural banks are facing problem of inadequate finance. The rural banks were dependent on the NABARD to collect the finance for their further operations of the rural people.

The rural peoples were unable to save the money because of poverty and earned less wages/income and also the rural people facing a regional imbalance between the peoples in the areas. and in banking facilities also maintain the regional imbalances, and the rural banks should face a slow progress in lending activities.

**Objectives of the study:**

- To describe to providing the facilities to the rural banking customers
- To analyze the problems faced by the rural banks
- To identifying the significance of the rural banking

**Scope of the study:**

The paper should focus to analyze the rural bank and it ensure to providing the credits or loans and advances f

Facilities to the weaker sections people because to makes development of the weaker sections areas. And the loans provided with a minimum rate of interest, to ensure the economy. When the economy will developed automatically the unemployment problem facing by the rural people it should be decreases. The mainly rural banks should create a banking habit in the minds of the rural people and to collects the minimum savings from them and mobilize their funds to the economical and agricultural activities.

**Facilities of rural banking:**

• **Accessibility of banking services:**

The rural banks were easily access the weaker section people to providing the effective benefits to the rural people by enhancing to create the banking habits in the minds of rural people. it should increases the development of the regional area, and maintaining the stability in an economy .The rural people mostly depending upon the agricultural and former based activities it helps to improving the surrounding areas of the country.

• **Improving the educational facilities:**

The rural banks also facilitating to provide loans facilities to the rural students because of development of the system of education. To taking the loan facilities at a less rate of interest, to removing the un employment problem in the poor areas. The rural banks they do not concentrate only about the agricultural areas but also makes to builds the education activities in the limited areas to maintain the skilled system of the country. All rural financial institution leads special dispensation suited to their local areas.

• **Reducing the cost of rural credit:**

The rate of interest paid on cash reserve ratio balances held by this rural institution might also be marginally what is paid to commercial banks. The rural banks need to park their rural development funds with regional banks, to ensure the cheaper flow of demand. The poor credit deposit ratio is still making the improvable functioning of rural banks.

• **Rural banks enables the agricultural, industrial development:**

Rural banks helps to improving the agricultural and industrial development in the economy and to ensures the different branches in the different states of rural areas .

It maintain to improving the formers standard of living tan also enhancing the trade and other productive activities to the targeted poor people. The credit deposit ratio of the bank indicates the creation of credit out of the deposit mobilized by banks.

Rural banks facilitate to encourage the more sophisticated methods of credit delivery to meet changing the needs of formers and there should be greater co-operation between district planning authorities.

Rural banks provide the banking services to the rural citizens and help them save money effectively. Majority of the popularities in rural India do not have a banking facilities still don't have basic account.

- **Facility to provide the crop loans to the agro based formers:**

The rural bank also helps to encouraging the agricultural based people by providing the crop loan facilities to them formers to improve the standard of living of the formers in local areas. it lends the low rate of interest from loans financial assistance minimum amount issued with minimum rate of interest.

**Problems facing by rural banks:**

- **Limited scope of investment:**

The main problem of rural bank is to be less scope in investment, the surplus funds as to provide the credit facilities to poor and weaker sections people of society. That is to be small and marginal formers and other formers of the society, it builds the nation.

- **Lack of co-ordination between distinct industries and rural industries:**

The government has been emphasized programmers of rural industrialization .it has formulated plans to set up district industries centers to cover ultimately all districts in the country these designed to promote local entrepreneurship in rural areas for setting up small and cottage industries, so for they does not paper have been much contact between distinct and rural need to be fully developed in further of the objective of rural development.

- **Recovery of loans:**

The rural banks viewed as whole cannot be considered as everyone should satisfying the work of repaying the loans. The main cause poor people are recovery of agricultural loans by a number of rural banks this problem also c arises in rural banking.

- **Running into losses:**

The rural banks were facing till today is running into losses it providing the different facilities to the rural people because of encouraging the economic stability and development of rural areas, some of the rural people taking loans and they should not pay the payments periodically, it arise the losses of nonpayment of loans it makes to arises losses to the banks.

**Difficulty in deposit mobilization:**

The rural banks encouraged a number of practical difficulties to eliminating the mobilizing and deposits to richer section people to makes a deposit in rural banks. In some areas they not properly allowed a rural people in making deposits because of richer only targeted, the mainly rural banks satisfies agricultural based and small scale industrial activities .Providing the facilities of small and medium term loans.

**Slow progress in lending activity:**

The rural banks pace of growth in loan business is slow, there have been limited scope for direct lending by rural areas in their fields of operations. It is always difficult to identify the potential small borrowers and the bank staff have been required to make special and sinker efforts.

**Significance of Rural Banking:**

Rural banks set up with the intention of taking banking services to the villages to such categories of rural masses, which were considered un-bankable by other institutions specially the commercial banks. it may seen that although there has been sustainable growth in lending of regional rural banks. Rural households and rural economics got increasingly diversified. Access to finance was the limiting factor.

Agricultural credit had been exclusive it excuses all those who didn't own till the land, labour, micro entrepreneurs, traders ,women and large number of smallholders too poor to pay bibs .The number of rural branches should be increased rather than reduced.

**Limitation of the study:**

The main limitation of this study is, this paper is written only on utilizing the secondary source. This may be practically good but when it comes on theoretically arises many problems to development in the economy in rural areas. Sometimes the rural banks get profit but some other times it so difficult to achieve goal. In all the activities the rural banks plays a main role and difficulties to running the banking activities, such as limited scope of investment, slow progress, these are all study of limitations.

**Findings and suggestions:**

The rural banks should place a very important role in an economy, by providing the facilities in the fields of agricultural activities to the formers and to provide the loans for small scale industries by avoiding the unemployment problem in a rural area. And also helps to builds the industrial, production activities to the people in the rural area.

The rural bank develops the economical expansion in the weaker section areas The rural people should avoids the the problem of embanking facilities, rural banks were started the main objective is to be economic developmental the rural area and to builds the country as a developing country in the nation.

The rural banks should also providing the education facilities through the loan and also formulate some government schemes to weaker section and old age people to builds the encouraging economy.

**Conclusion:**

Regional rural banks performance in respect of some important objectives is certainly better than the commercial banks. The rural banks trying their level best to achieve their objectives, they have succeeded in protecting their image of small banks; they are impact development banks of the rural and poor areas. The rural banks have to fill the gap between the regional and functional gap in rural financing activities in our country.

Mainly rural banks performs a better task in terms of providing loans to small and medium scale industries in recent years. The rural banks had taken a leading role, financing help groups and other small credit institutions.

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