

Analytical Study on Improvement of Bank Loans and Finances of Regional Rural Banks

***Partha Deb**

Abstract

In India with the changes made from the ancient time to the present era the rural credit system is regulated through the multi-agency approach which basically is providing logical response the individual with complex needs. In previous time there was situation that when several private credit agencies and sources had complete grip over this system but the private sources of that time like Multan bankers, private money lenders, zamindars and traders are now replaced with formal, government run rural credit agencies through the multi-agency approach to rural credit system after independence. The system consists of both institutional and non-institutional channels and till 1960s the bulk of the credit needs in agriculture was sourced by non-institutional private players.

Introduction

Credit

The word "credit" basically means "I believe" or "I trust" and has been derived from Latin word "credo" which basically means a trust reposed in another person. Credit basically refers to the having confidence on someone and in terms of economics it is basically agreement for the purchase of the goods and services with the expression of promise to pay it later on after sometime or lending of money and receiving of deposits etc. Credit can be explained as the contract agreement between the borrower in lender which means a borrower receives something of value and present time and agrees to repay the lender at some later date in which the borrowing capacity provided to an individual by the banking system in form of credit or loan. The total bank credit the individual has is basically the sum of borrowing capacity each lender banks provides to the individual.

Characteristics of credit

The characteristics of the credit of the prime importance to the individuals or the prime importance are as follows:

- 1. Confidence:** It is really important that the authority should have confidence on the debtor as well as confidence is one of the necessary element for granting any credit.

Analytical Study on Improvement of Bank Loans and Finances of Regional Rural Bank

Partha Deb

2. **Capacity:** Capacity basically refers the time the borrower takes to repay its debt and considered as one of the most crucial things. Before granting any kind of credit to the borrower the credit should be evaluated the borrower's capacity.
3. **Period of Credit:** Before giving credit to someone period of credit should be kept in mind because long term credit cannot be easily obtained due to the risk elements involved in security and repayments.
4. **Size of Credit:** It has been stated that short term credit is easily available as compared to the long term credit.
5. **Goodwill:** Goodwill basically states that if the borrower has good reputation of repaying the outstanding in time the borrower may be able to obtain credit without any difficulty.
6. **Security:** Banks are known to be the main source of the credit which and the availability of the credit depends upon the property or the assets possessed by the borrower.

Features of Commercial Bank Credit:

The major features of the commercial bank credit are as follows:

1. To take all protective risks to minimize the risk while giving loans to the firms.
2. Indian banks sanction loans against sound security.
3. Short term loans are given for the seasonal needs and the working capital requirements.
4. Short term loans may be in form of the cash credit and overdraft, demand loans and the purchasing and discount of the bills in which the cash credit and overdraft are most popular.
5. Banks usually provide credit majority to trade and industries rather than agriculture just because of the reason that greater risks of inability of agriculturists to furnish good security.

Innovative Credit Products:

With the increase in the liberalization in the country there has been drastic change in the commercial banks and the way by which they are giving loans to the individual customers and businessmen. There has been change in the different patterns of the banks as well as the changing pattern of bank from the universal to branch banking after the liberalization period they force banks to adopt easy lending. With the increase in the number of mergers and acquisitions in the sector the expectation went very high and the banks have been under tremendous pressure to meet the targets of deposits and loans.

The products include:

1. Credit cards

Plastic money is playing major role of importance in promoting the retail banking. Credit cards are alternative to the cash and comprise of different facilities and features depending on the annual income of the card holder hence allowing to buy goods and services on credit.

Analytical Study on Improvement of Bank Loans and Finances of Regional Rural Bank

Partha Deb

2. Debit cards

Debit card as plastic money also plays major role of importance in promotion of the retail banking as soon as the debit card is swiped the money is debited from the individual's account and debit card can be used as credit card for purchasing products and drawing money from the ATMs.

3. Housing loans

Housing loans are basically the loans offered by the banks for the purchase or the renovation of the house. These kinds of loans are usually granted for long period of time and the amount of the loan given usually depends on the lending policies and repayment capacity of the customer.

4. Auto loans

Auto loans basically refer to such kind of loans which are granted for the purchase of the car, scooter or any other vehicle.

5. Personal loans

Personal loans are one of the major important and excellent services provided by the banks usually giving to the individuals for fulfilling their needs without any substantial security. Many banks follow this procedure and grant the loan in short period of time which requires minimum documents.

6. Educational loans

The loans are granted to such kind of students who want to pursue higher education in studies as well as the loan is available for within the country and outside the country.

7. Loans against securities

The loans which are provided in form of shares in demat form, bonds, mutual funds, fixed deposits are known as the loan against securities.

8. Consumption loans for purchase of durables

Banks help in fulfilling the dreams and the aspirations by providing consumers durable loans and the loans can be used for purchasing the items like television, refrigerator, mobile etc.

9. Hybrid loan products

Banks are adopting new technologies in order to improve the business environment and to win the competition. With the fluctuation in the interest rates there is need of the banks to protect the interest of the borrowers so banks can offer hybrid products to the customer which can help in giving the fixed and floating interest rate loans and the products introduced by the different banks have their different features.

Rural Credit System

Finance is one of the most important factor for the development of the economy as well as all sectors in the economy. Finance has been stated as life blood of all the economic activities like all other sector the agricultural sector also needs credit. Finance is considered as more important due to the

Analytical Study on Improvement of Bank Loans and Finances of Regional Rural Bank

Partha Deb

unorganized nature of farming and inability of the farmers to invest from their own resources. The need of the finance are focused but the productivity is low due to financial constraints and the need is basically for the points mentioned below:

- For the purpose like repayment of the old debts, deposits with cooperative agencies and unspecified purpose. According to duration of the loan it is divided into short term, long term and medium term.
- For agricultural purpose like purpose of seed, irrigation of crops, purchase of livestock, charges of pumps, manure and fodder payment of rent.
- Credit need for the non-form business purposes such as amount of credit required for the repair and production of the transport equipment, furniture, construction and repair of building houses.

Rural credit in India

With the increase in the globalization and changes in the banking sectors the growth of the rural economy basically depends on the funds from different intervals to understand the high productivity in the agricultural and nonagricultural areas. The gap between sowing of seeds to the understanding of the post production revenue is quite long which includes all other process like farmers lending money from different institutions to match the requirements of fertilizers, seeds and personal expenses.

In year 1969 there was increase in certain kind of agencies who can provide funds to fulfill the requirements of the credit but in year 1982 NABARD (National Bank for Agriculture and Rural development) was known as one of the most important body to regulate and organize the activities concerning the rural financial system as well as the Green Revolution came into existence and began to change the credit system of the country which basically is leading to productive lead of rural credit. Post-independence the traders and money lenders took advantages of the poor peasants by lending them money on huge rates and influencing them and trapping them so it bring change in that system as well.

Role of rural credit in Indian agriculture

Agriculture plays a vital role in the overall development of the rural economy in particular and in the national economy in general in developing countries like India. Rapid and sustained agricultural development facilitates the process of economic growth. Agriculture development implies increased production and productivity of crops, generation of employment opportunities and thereby improved standard of living of the peasants. Moreover, the agricultural sector accelerates the overall economic development.

Need of rural credit

India has been confronting number of economic problems mainly stem from its vast and growing population such as sectoral and regional imbalances, unemployment and underemployment, poor rate of economic growth and widespread poverty. Any approach to economic development is not

Analytical Study on Improvement of Bank Loans and Finances of Regional Rural Bank

Partha Deb

likely to fructify unless agricultural development continues to get due reemphasis because agricultural economic sustains the livelihood of 76.7 per cent of population (1981 census) and contributes about one-third of national income according to 1988-89 statistics. Credit has worked as a powerful instrument in pointing economic development and social justice and particularly to increase agricultural production and to improve the level of living of rural population.

Rural credit agencies

Agriculture being the largest sector of the Indian economy plays an important role in accelerating the pace of economic growth and development. But agriculture without adequate finance for meeting divergent needs of the farmers may not guarantee the tempo of economic development. The development of agriculture is related directly to the way we tackle the problems of rural credit. There are various sources from which the farmers can raise funds needed for farming. These sources are classified into two categories.

1. Non-institutional sources
2. Institutional sources

Non-institutional sources

These agencies grew along with the credit needs of the farmers in India. In the past, the rural credit scene was dominated by the non-institutional agencies. The main constituents of this unorganized sector are indigenous bankers, moneylenders, traders, commission agents, landlords, relatives and friends. They operate outside the purview of the Indian Banking Regulation Act 1949 and exploit the rural people. They have been catering to the credit needs of millions of rural people. The moneylenders often resort to take advantages of helplessness, ignorance and necessity of the rural borrowers (The Agricultural Sub-Committee, 1945).

Institutional Agencies

Promotion of credit co-operatives was the first effort in India while institutionalizing credit for rural areas. These sources consist of government, co-operatives, commercial banks, Regional Rural Banks. The percentage share of institutional agencies has been increasing in fulfilling the credit needs of the farmers. Among these agencies, the co-operatives are the cheap and the best source of agricultural credit to farmers.

Government Initiatives

Government entered the field of agricultural credit primarily to provide relief from distress caused by droughts, floods and other natural calamities. The loans were called as Takavi. Advancing of loans by the government to finance the emergent needs of agriculturists on a regular basis began towards the end of the 19th century.

Starting as loans to provide relief to the agriculturists who were adversely affected by famine, floods and other natural calamities and to assist them to tide over emergencies, takavi loans (Government

Analytical Study on Improvement of Bank Loans and Finances of Regional Rural Bank

Partha Deb

loans) subsequently became regular loans for productive purposes. The Government departments namely revenue and community development which handled Takavi loans are burdened with multifarious duties resulting in too much delay in the disbursement of loans and inadequate supervision or lack of coordination to ensure proper use of loans. The committee on Takavi loans and cooperative credit appointed by the Government of India in 1961 recommended the discontinuance of Takavi loans for normal production and land improvement purposes to agriculturists direct and suggested that, barring certain exceptional cases, funds available with the government for granting loans to agriculturists should be utilised to supplement the resources of cooperatives. Therefore, the governmental efforts since then have been directed more towards strengthening of institutional credit framework by way of financial and legislative support rather than coming up as an agency for direct lending to farmers.

Research Problem

Policy blend of monetary and financial market for restricting the macroeconomic imbalance in our economy like price imbalance, unemployment, and interruptions in foreign exchange market, trade inadequacy and economic growth are the primary attention pullers in the research here. Previously, the researches were restricted to the developed economies and some of the evaluation of financial markets or monetary policy was done.

Aims and Objectives of the Study

Aim of the research is:

1. Emphasizing the part which Money and Finance play through conceptual and experimental viewpoint.
2. Discussion of source and progress of financial system in our country through the course.
3. Emphasizing the suggestions of different committees and commissions regarding financial sector.

Significance of the Study

It is necessary in our country to talk about the coordination between Indian financial market and monetary policy as it would be helpful for off-setting macroeconomic instability in our economy. From the time of independence, government studies the aims of monetary policy and then acquires parliamentary endorsement where RBI has freedom about the usage of monetary devices for completing these aims. Therefore, financial market of our country takes high road over monetary policy. There was an IMF survey conducted comprising 88 constitutions of various nations all across through which it was seen that there are securities for central bank in 30 constitutions and thus it is necessary to study the laws of financial market responsibility and independent monetary policy.

LITERATURE REVIEW

1. Ram and Subudhi (2014) explained that Regional Rural Banks (RRBs) are now playing an important part in the growth of rural areas and fiscal or financial inclusion. Many

Analytical Study on Improvement of Bank Loans and Finances of Regional Rural Bank

Partha Deb

committees have given advice for merger of banks to strength the operation and function of these Regional Rural Banks

2. Devi (2014) proposed that Regional Rural Banks Plays a crucial role in the harvesting , agricultural a rural growth of India, The financial solidity of these banks increase the chances of success of rural credit because RRBs are the important financial institutions at the rural level which meets fiscal needs of agricultural labourers
3. Naz and Parihar (2014) Explained that the regional Rural Banks put a mark in the history of rural banking. The part of Regional Rural Banks is to gives services, facilities and credit origin to the farmers in India. Before Regional Rural Banks,
4. Rao (2014) explained that the current study shows the performance in various capable areas of Andhra Pradesh Grameen Vikas Bank, it offers monetary support to the farmers and labours. Andhra Pradesh Grameen Vikas Bank attain the highest business standard of Rs. 10680 crores when compared it to all other RRRRBs in Andhra Pradesh during FY-2011-12.

Conclusion

Indian public policy for rural finance from 1950s to till date mirrors the patterns observed world-wide. Increasing access to credit for the poor has always remained at the core of Indian planning in the fight against poverty. The institutionalization of the credit delivery system in India was initiated by the creation of Co-operative Societies Act, 1904. But the process of institutional credit delivery was intensified with the nationalization of commercial banks in 1969 and further, for greater penetration of credit to weaker sections, Regional Rural Banks (RRBs) were created in 1975. At the apex level, to serve the rural people, NABARD was created in 1982. With all these efforts, the government also launched various poverty-alleviation and rural-development programmes with credit as the main component. These measures resulted in impressive gains in rural outreach and volumes of credit.

***Research Scholar
Department of Commerce
Himalayan University
Itanagar Arunanchal Pradesh**

References

1. Soni, Anil & Kapre, Abhay. (2013). A Study on Current Status of Regional Rural Banks in India.
2. Narayana Reddy (2015) National Conference on Marketing and Sustainable Development October 13-14, 2017
3. Pacheri Bari (2017) "A Comparative Study of Regional Rural Banks in Maharashtra State" IJSRD - International Journal for Scientific Research & Development| Vol. 4, Issue 11, 2017 | ISSN (online): 2321-0613

Analytical Study on Improvement of Bank Loans and Finances of Regional Rural Bank

Partha Deb

4. Akash Kumar (2018) "Performance Of Regional Rural Banks (Rrbs) In Bihar : An Analytical Study", International Journal of Emerging Technologies and Innovative Research (www.jetir.org), ISSN:2349-5162, Vol.5, Issue 1, page no.756-762, January-201
5. Abhay Kumar Kapre (2013) International Journal of Economics, Commerce and Research (IJEER) ISSN 2250-0006 Vol. 3, Issue 1, Mar 2013, 79-86
6. DrMukesh Kumar (2018) "Impact Of Merger & Acquisition Of Regional Rural Bank With Special Reference Of Western U.P" [VOLUME 5 I ISSUE 3 I JULY- SEPT 2018] E ISSN 2348 - 1269, PRINT ISSN 2349-5138
7. Syed Ibrahim, M. (2010), "Performance Evaluation of Regional Rural Banks in India", International Business Research, Canadian Center of Science and Education, Vol.3, No. 4, pp. 203-211. 19.
8. Anil kumarSoni and AbhayKapre (2011), "A Study on current status of Regional Rural Banks in India", National Monthly Refereed journal of Research in Commerce & Management, Vol. No.2, Issue No.2, pp.53-62. 20.
9. Maheshwara Reddy, D. and K.V.N.Prasad (2011), "Evaluating Performance Of Regional Rural Banks: An Application Of Camel Model", Journal of Arts, Science & Commerce-International Refereed Research Journal, E-ISSN 2229- 4686, ISSN 2231-4172, Vol.- II, Issue - 4.