

---

**ROLE OF REGIONAL RURAL BANKS AND RURAL FARMERS: A CASE  
STUDY OF KURNOOL DISTRICT OF ANDHRA PRADESH**

---

D. Balamuniswamy\*

Prof. G Erraiah\*\*

---

**ABSTRACT**

*Regional rural Banks plays a significance 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 especially farmers. This study examined the impact of rural banking on rural farmers in Kurnool. The convenient sampling procedure was used to select 100 farmers and 10 workers at the regional rural banks studied for the research. Frequencies, percentages and bar graphs were the major statistical tools used to analyze the data collected from the regional rural banks. The article clearly states that higher rate of interest on loans will reduces the loan borrowing ability of the farmers. That is, higher interest rates tends to have an adverse effect on the development or growth of the farmers or businesses in India since they depend very much on availability and accessibility to funds.*

*Key words: RRBs, Rural Farmers, Agriculture.*

---

\*Research Scholar, Dept. of Economics, Sri Venkateswara University, Andhra Pradesh

\*\*Dept. of Economics, Sri Venkateswara University, Andhra Pradesh

## INTRODUCTION

India is a nation of agriculture and its development depends on how effectively it is financed by the various banks both for agriculture and industry. Both agriculture and rural development have attracted the attention of the economist, planners and the social scientists because they are providing strong base to the development of a nation. In India Regional Rural Banks (RRBs) play an important role in providing financial assistance for the development of agriculture and industry. The banks are state sponsored, regionally based and rural oriented, functioning specially to meet the credit needs of the weaker section of rural population including small and marginal farmers and landless labourers. The present study is confined to the impact of RRBs on rural farmers. Rural development is a major challenge to the Indian economists and policy makers as it has huge population and that to in poor condition. To improve the socio economic status of these people there is a need for the strong credit delivery system which can provide liquidity to the poor individuals and various businesses. Rural development means the activities undertaken by a country to develop remote areas into more economically sound locations. RRBs accept customer deposits, make loans to individuals and businesses or provide other financial services.

### Statement of the Problem

Since independence, the Indian government has made several attempts to promote rural development in an effort to increase the living standard of the people who reside in rural areas. These projects have failed for several reasons, including the high cost of living for farmers, and the lack of coordination between government and various agencies. More farmers in the rural areas do have problems in dealing with the RRBs, because they are not well educated in order to understand various legal formalities and even to plan or write their own business proposals. In addition, it becomes very difficult for the farmers to secure loans because of the collateral securities demanded by the banks. Some of the banks even look at the scale and size of the farm before granting loans. The important problem is the high interest rates and other bank charges. This research therefore looked at the impact of these RRBs on farmers in the rural areas.

### Objectives

1. To find out the importance that RRBs have on farmers.
2. To find out the impact of RRBs on the rural farmers.
3. To find out whether RRBs do help all category of farmers in the rural areas.

4. To provide recommendations based on the findings of the research.

### **The Significance of the Study**

This study would be a useful tool in the hands of the Ministry of Finance and the Economic Planners. Also, it is envisaged that the result of this study would help to create an awareness of the function of the RRBs in the rural areas to the people of India and the policy makers.

### **Limitations of the Study:**

This study was limited to the impact of RRBs on rural farmers. There are a number of factors that boost rural development but very limited mention was made of them and their impacts. The study was limited to selected farmers in Belgaum district. The study also has the following limitations:

1. Problem of finance to cover larger population in interviewing and collecting information.
2. Time constraint is the biggest limitation of the researcher.
3. The data collected was from the memory of the farmers

### **Sample Design and Sampling Technique**

The convenient sampling procedure was used to select 100 farmers and 10 workers of RRBs for examination. The sample drawn was according to the convenient of the researcher because of the large area where farmers were largely scattered.

## **DATA ANALYSIS AND INTERPRETATION**

### **1. Findings from the Farmers**

**Table 1-Age Distribution of the Respondents**

Age	Frequency	percent	Cumulative percent
26-35	35	35	35
36-45	20	20	55
Above 45	45	45	100
total	100	100.00	

Source: field survey.

The able 1 shows that the out of 100 respondent farmers, 55% of the farmers are within the ages of 26-45. While the other 45 percent farmers above the age of 45. Also none of them are below the age of 26.

**Table 2 : Gender Distribution of the Respondents**

Gender	Frequency	percent	Cumulative percent
Male	50	50	50
Female	50	50	100
total	100	100.00	

Source: field survey.

From table 2, it could be seen that half (50%) of the respondents are males, and remaining half are females. They were drawn equally because the researcher wants to have equal information from both males and females.

**Table 3: Level of Education**

Education	Frequency	percent	Cumulative percent
Illiteracy	35	35	35
Primary	20	20	55
PUC	26	26	81
Degree and Others	19	19	100
Total	100	100	

Source: field survey.

The table 3 it is clearly shows that the 35 percent of the total respondents are illiterates and majority of the farmers found to be educated. It shows that farmers are updating their agricultural information.

**Table 4 :Marital Status**

Gender	Frequency	Percent	Cumulative percent
Male	20	20	20
Female	80	80	100
total	100	100.00	

Source: field survey.

It is understood from the above table that 80 percent of the respondents are married; only 20 percent of them are not married. It reveals majority of the farmers are married to support their agricultural activities.

**Table 5: 'Is Farming Your Only Occupation?'**

Opinion	Frequency	Percent	Cumulative percent
Yes	25	25	25
No	75	75	100
Total	100	100.00	

Source: field survey.

Of the 100 farmers 75 (75%) of the respondents are into other businesses or works along with farming occupation. Only 25 (25%) of them depend on farming as their main occupation.

**Table 6: 'Do You save Money at the Financial Institutions (Banks)?'**

Opinion	Frequency	Percent	Cumulative percent
Yes	100	100.0	100.0
No	000	000.0	100.0
Total	100	100.0	

Source: field survey.

It is observed from table 6 that, all the farmers interviewed save their earnings in the financial institutions. It means that, the farmers believe that today's savings will be the biggest asset in the olden days or in future.

**Table 7: Type of Accounts That Farmers Normally Open**

Type of Account	Frequency	Percent	Cumulative percent
Savings A/C	69	69	69
Current A/C	31	31	100
Total	100	100.0	

Source: field survey.

Table 7 depicts that, 66.7% of the farmers do open savings account while 33.3% opens current accounts. Those who opened the current accounts said they made that choice in order to have faster business transactions.

**Table 8: 'Have You Ever Applied For A Loan?'**

Opinion	Frequency	Percent	Cumulative percent
Yes	70	70	100.0
No	30	30	100.0

Total	100	100	
-------	-----	-----	--

Source: field survey

The table 8 shows that the 100 farmers, 70 have applied for a loan but 30 farmers did not even attempt to apply for a loan because of the fear of high interest rates. Those who had the courage to borrow the money were required to bring a viable business proposal or a business plan, two guarantors who are salary workers and collateral securities.

**Table: 9 Customers Views about the Interest Rates**

Opinion	Frequency	Percent	Cumulative percent
<b>Very High</b>	100	100	100.0
<b>Very Low</b>	00	00	100.0
Total	100	100	

Source: field survey.

It is depicted from table 9, that the interest rates are too high for the small and poor

**Table 10 :‘Do Interest Rates Scare You from Borrowing from the Banks?’**

Opinion	Frequency	Percent	Cumulative percent
Yes	100	100	100.0
No	00	00	100.0
Total	100	100	

Source: field survey.

From the table 10, it is understood that 100% of the farmers are scared from borrowing from the banks. As we can see from table 8 above, almost 33.3 % of the farmers did not borrow from the banks just because of the legal formalities by the banks and also the high interest rates.

**Table 11- ‘Do You Face Difficulty While Paying the Loans’**

Opinion	Frequency	Percent	Cumulative percent
Yes	100	100	100.0
No	00	00	100.0
Total	100	100	

Source: field survey.

Out of the 100 respondents or farmers who said they borrowed from the bank, none of them found it easy paying the loans back as shown in table 11 above. Some of them said they were

able to pay back the loans by selling all or some of their farming assets. It means it is very difficult to repay the loans.

**Table 12: ‘Does the High Interest Rate Affect Your Farming?’**

Opinion	Frequency	Percent	Cumulative percent
Yes	100	100	100.0
No	00	00	100.0
Total	100	100	

Source: field survey.

From table 12, 100% of the farmers were affected by the high interest rates being charged by the banks. The heavy interests are affecting the farming activities of the farmers. No farmer is completely or partially free from the effects of the interest rates.

### Findings from the Regional Rural Banks

**Table 13 :Type of the Accounts that Customers Normally Open**

Type of Account	Frequency	Percent	Cumulative percent
Savings A/C	10	100	100.0
Current A/C	00	00	100.0
Total	10	100	

Source: field survey.

From table 13, 100 percent of the employees interviewed at the only regional rural banks at the area of study said the highest accounts being opened by the farmers is Savings Account.

**Table 14 : ‘Do You Grant Them Loans if They Apply?’**

Rate of Interest	Frequency	Percent	Cumulative percent
10-15 %	100	100	100.0
16-20%	00	00	100.0
Total	100	100	

Source: field survey.

From table 14, 100 percent of the workers said they grant loans to any farmer that applies for a loan. They also clarify that, farmers have to bring their collateral securities and a viable farming proposal or farming plan. They do this in order to protect the interest of the bank and propel customers’ commitment to payment of the loan.

**Table 15: Minimum Interest Rate Charged by Banks Per Loan**

Rate of Interest	Frequency	Percent	Cumulative percent
10-15 %	100	100	100.0
16-20%	00	00	100.0
Total	100	100	

Source: field survey.

Table 15 depicts that, the minimum interest rate charged by rural banks or financial institutions ranges between 11-15% which is very high for the infant farmers to cope with. This is because, 100% of the workers interviewed selected 11-15% as their minimum interest rate.

**Table 16 : 'Do Your Customers Complain About the Interest Rates?'**

Opinion	Frequency	Percent	Cumulative percent
Yes	10	100	100.0
No	00	00	100.0
	10	12	

Source: field survey.

It is observed from table 16 that, 100% of the workers confirmed that, their customers always complain about interest rates. Many times they will argue even with the bank charges.

## **FINDINGS OF THE STUDY**

This study focused the impact of banking on rural farmers in Kurnool district . It was found out that all the farmers do save their monies at the financial institutions. In addition, the major type of account they do open is a Savings Bank Account. 66.7 percent of the farmers have applied for a loan. 33.3 percent did not even attempt to apply for a loan because of the fear they have for the high interest rates. In addition, the interest rates are too high for the small or peasant farmers to cope with. This is because, those who borrowed money from the bank, found it difficult to pay the loans back. This resulted in the sale of assets and the collapse of most of these farms. Furthermore, there was no specific relationship between the interest rate and the demand for loan. The banks also provide services like, Advisory, Safe custody, Mortgage financing, Intermediary for lending and borrowing, Intermediary in international trade, Network for businesses, Investment advisory, Brokerage, etc for individuals or companies.

### **Suggestions:**

1. Additional financial institutions should be set up in the localities.



2. Government should introduce measures to develop co-operations between the financial institutions and farmers.
3. The Prime Rate charged by the banks should be minimised to allow the other financial institutions to also reduce their interest rates.
4. Farmers should be educated about availability of loans and the benefits of it.

## **CONCLUSION**

The study clearly shows that, the higher the interest rate, the lower the demand for loans. In addition, high interest rates cripple farming businesses. That is, higher interest rates tends to have an adverse effect on the development or growth of farming or businesses in Kurnool, since they depend very much on availability and accessibility to funds at reasonable or favorable interest rates

## **REFERENCES:**

1. Anin, T. E. (2000). Banking in Ghana, Accra: Woeli Publishing Services.
2. Moshi Conference 1969. The African Regional Conference on the Integrated Approach to Rural Development, held in Moshi, Tanzania.
3. Bagachi, K. K. and A. Hadi (2006), Performance of Regional Rural Banks in West
4. Bengal: an evaluation, Serials Publications: New Delhi.
5. Bose, S. (2005) Regional Rural Banks: The Past and the Present Debate
6. Das, U.R. (1998) "Performances and Prospects of RRBs", Banking Finance November.
7. Gupta, S.K (1996) "Profitability and Regional Rural Banks", Kurukshetra, July.
8. Gupta and Sodhi (1995), "Economic Liberalization and Rural Credit", Kurukshetra, Vol. XLIII, No. 10, p-27-30
9. Horseman, S.B (2002), Performance of Regional Rural Banks, New Delhi,
10. Ibrahim Dr. M. Syed (2010) "Performance Evaluation of Regional Rural Banks in India", International Business Research Vol. 3, No. 4; p-203-211
11. Jham Poonam (2012) "Banking Sector Reforms and Progress of Regional Rural Banks in India (An Analytical Study)", Online published 11 January.
12. Okonjo, C. 1986. "The Concept of Development," in Rural Development in Ghana. Ghana Universities Press, Accra, Ghana, 1-25.
13. [www.rbi.org.in](http://www.rbi.org.in)

14. Kudiabor, C.D.K.1974. "Policy Objectives and Strategies for Integrated Rural Development in Ghana," in Rural Development in Ghana. Ghana Universities Press, Accra, Ghana, 26-32.
15. Opoku-Afriyie, Y. 1974. "Regional Development Authority and Rural Development." Greenhill Journal of Administration 1 (1), 27-36. April-June.
16. Khankhoje, D. and Sathye, M. (2008) "Efficiency of Rural Banks: The Case of India", International Business Research, Vol. 1. No.2, pp. 140-149.
17. Kannan, R. (2004), Regional Rural Banks