

Rural Credit Delivery in India

Jasdeep Kaur

Department of Commerce, Punjabi University, Patiala

Abstract

A large number of lenders comprising of non-institutional and institutional sources together comprises of the Indian rural credit delivery system. Non-institutional sources were the main source of rural credit in India at the time of nationalisation. In 1969, there were 1443 branches of commercial banks in rural areas and with the adoption of multi-agency approach several institutions were set up to provide credit and the branches stood at 7112 in 1975. With the passage of time, formal banking system played the dominating role in delivering credit to rural areas. Development of rural credit in India has metamorphosed from monopoly of non-institutional sources to institutional sources where cooperative structure dominated the scenario till 1970s. Taking this into consideration, this paper studies the relative share of borrowings of rural households from non-institutional and institutional sources. Further, Bank credit has its crucial importance in the context of development and growth of rural areas so for having a deeper insight into the loan products, the paper covers the banking products offered by selected public and private sector banks to cater to the credit requirements of the rural customers. The paper also evaluates the state-wise scenario of banking in rural areas to give the bigger picture of rural banking. The paper discusses the rural credit till year 2022 so, the impact of coronavirus pandemic on rural economy has also been taken into the consideration.

Keywords

Rural Credit, Institutional and Non-institutional Sources, Banking

INTRODUCTION

India is a country of 1.37 billion people with 28 percent of its

population living below poverty line. Majority of India's poor lives in the rural areas and dependent on agriculture and allied activities for their livelihood. It is one of the oldest occupations and a key sector of Indian economy. Agriculture contributes to 17.8 percent to GDP and gives direct employment to about 58 percent of that total population living in rural areas (CMIE, Report, 2020). It is the primary sector of the economy and it provides basic ingredients necessary for the existence of mankind. Although the share of agriculture in GDP has declined sharply from 47.6 percent in 1961, but it secures export earnings, provides food security, supply raw materials to agro-based industries (Tripathi and Prasad, 2010). The Indian economy is characterised by a great rural urban divide in terms of income and wealth, employment opportunities and access to basic amenities including banking services. In rural areas, for meeting the financial requirements people are dependent on non-institutional and institutional sources of credit. For this, Reserve Bank of India and Government has been instrumental in creating the broad-based institutional framework for meeting the increased credit requirements of the rural sector (RBI has defined rural areas where the population is less than 10,000 persons as per Census 2011). Hence, rural segment is the biggest segment and back-bone of Indian economy.

Credit is one of the prime requisite in the process of accelerating the pace of economic development and significantly helps in improving the standard and quality of living of rural households. In the earlier times, banking was almost not in existence in rural areas and the rural populace was completely dependent on moneylenders, traders, commission agents and they played an important role in financing the requirements of rural sector. The formal rural credit delivery system in India begin with Sir Fredrick Nicholson's report of 1885 followed by Edward Law Committee (1901) on co-operative legislation that paved the way to create the Act and accordingly the Cooperative Credit Societies Act was enacted in the year 1904. Under the Act, a number of Co-operative societies were established with the objective of raising funds for lending it to their members. Subsequently, the need was felt for regulating these co-operative societies and hence the Co-operative Societies Act 1912 was enacted. It was only after the enactment of these Acts that co-operative banks introduced the concept of institutional lending in rural areas and started providing affordable finance to farmers for agriculture purposes. After the early recognition of the role of cooperatives, continuous attention was paid to the provision of rural credit. The Maclagan Committee on co-operation in India issued a report in 1915 and

emphasized that there should be a co-operative for every village and that every village should be covered by co-operatives. The Royal Commission of Agriculture in India (1928) further focused on the expansion of cooperatives in the country by setting land mortgage banks to meet long term credit needs. Further, the Central Banking Enquiry Committee (1931) also emphasized the need for organization of a network of land mortgage banks under the co-operative system and issued various guidelines for their working. However, there was a slowdown in the cooperative movement during the subsequent years, as large number of cooperative institutions failed because of heavy over dues in the repayment (Hoda and Terway, 2015). Further, the RBI Act was enacted in 1934 and promotional role was envisaged from the beginning as rural credit was the special responsibility of RBI in terms of RBI Act. The bank's responsibility in the field of rural credit has its origin in the predominantly agriculture base of the economy and in the urgent need to expand and coordinate the credit facilities available to the agriculture sector (RBI Report, 1970). The RBI has a mandate to be closely involved in the matters relating to rural credit and banking by virtue of provisions of Section 54 of the RBI Act, 1934. At the time of independence, the country started with the colonial inheritance of small banking base. It was very small in relation to India's population (87,000 per branch) in 1951 and mainly it was confined to cities and provided short-term credit for commercial activities with minimal credit to rural areas (RBI Report, 2008).

RATIONALE OF THE STUDY

In the earlier 19th century, commercial banking was the only an urban phenomenon and the rural population was dependent entirely on non-institutional sources of finance. It was only after the enactment of the Co-operative Credit Societies Act (1904) that the co-operative banks introduced institutional financing in rural areas and they started providing affordable financial services to farmers for agricultural purposes. Commercial banks did not appear on the rural scene until after independence. In the era of planned development, the government wanted commercial banks to perform an active role in the development process rather than being a passive agent for providing the financial services. Since the nationalization of banks, commercial banks have embarked on the voyage and shown much progress with particular reference to rural development. They are providing short, medium and long term loans and have designed specialized products to cater the needs of rural people. Therefore, taking into consideration, the present study has been conducted.

SOURCES OF DATA AND METHODOLOGY

The present study focuses on the rural credit delivery system in India and for achieving the above said objectives, the data has been collected from the secondary sources. Secondary data has been collected from various sources such as : various Government reports relating to rural credit, annual reports of Reserve Bank of India (RBI), annual reports of NABARD, various publications of RBI : Trend and Progress of banking in India, Basic statistical returns of commercial banks in India. For the purpose of analysis, the secondary data of the study takes into consideration a period of 15 years ranging from 2004-2005 to 2021-2022. The base year 2004-2005 has been selected by RBI in its Annual Policy 2005-06, focused on the concept of penetrating banking services to the rural masses. For studying the product, offered by the banks in rural areas nine banks namely : (Six public and three private sector) were selected having at least 25 percent of branches in the rural areas (Basic statistical returns of commercial banks, RBI) covering Punjab and Sind Bank, Punjab National Bank, OBC, State Bank of India, UCO bank, Corporation from public sector and HDFC bank, AXIS bank and ICICI bank from the private sector were selected at the beginning, but during the study period Oriental Bank of Commerce was merged with Punjab National Bank and Corporation Bank was merged with Union Bank of India in the year 2020. Therefore, the rural lending products of these two banks were not studied. As far as mythology is concerned, in order to study the parameters related to growth of rural credit in India, various statistical tools and techniques Mean, Standard deviation, Coefficient of variation, Exponential growth rate have been applied.

OBJECTIVES OF THE STUDY

To analyze the relative share of borrowings of rural households from non-institutional and institutional sources.

To study the state-wise scenario of banking in rural areas.

To study the state-wise growth of rural credit by commercial banks in India.

To study the rural banking products of public and private sector banks.

ANALYSIS AND FINDINGS

Structure of Rural Credit in India

The rural credit structure in India consists of non-institutional/informal sources and institutional/formal sources that caters to the various short term,

medium- and long-term credit requirements of rural people for production as well as consumption purposes. The existence of these sources has been a key feature of rural credit market. Both these sources together cater to the requirements of credit needs in rural areas.

Non-institutional / Informal Sources of Credit : At the time of independence, Indian banking system was not sound and rural credit needs were met from the non-institutional sources such as moneylenders (agricultural money lenders and professional money lenders), landlords, traders, commission agents, friends/ relatives etc. They dominated the scenario as the rural people had easy access to them for their credit needs but exorbitant interest rates coupled with the illiteracy levels and lack of awareness has put them into a debt trap (Samal, 2002). However, this scenario changed with the emergence of institutional/ formal sources through various Government policy interventions and became the major source of credit in rural areas.

Institutional / Formal Sources of Credit : As far as institutional sources of credit are concerned; Co-operative banks are one of the oldest and forms the integral part of the rural credit structure. Indian rural banking system evolved around 1950s. After independence, the government of India followed the recommendations of All India Rural Credit Survey Committee (1951) and found that co-operatives were the only solution to promote agriculture credit and development in rural areas. In short span of time co-operatives proved to be a stronger alternative to promote credit in rural areas during post-independence, especially, before the entry of commercial banks but thereafter their share declined. The decade of 1970s marked the entry of commercial banks in the rural credit as a result, thousands of new branches were opened in rural areas. In 1975, Government of India set up the Regional Rural Banks as the third institution for enhancing the delivery of credit in rural areas on the recommendation of the working group headed by Mr. M. Narasimham with a view to provide banking facilities to the rural masses. Then the formal system adopted multi-agency approach that comprised of Co-operative banks, Commercial banks and RRBs and it envisaged to cater to the diverse credit needs and benefit the rural people by giving them wide choice of the agencies to avail credit (Satyasai, 2008). Another major land mark in institutional sources was the establishment of National Bank for Agriculture Rural Development. Apart from refinancing banks and microfinance institutions (MFIs), it is playing a supervisory role for co-operative banks and Regional Rural Banks (RRBs). Besides the multi-agency approach, various Non-Banking Financial Institutions

(NBFIs), Microfinance Institutions (MFIs), Provident Funds, Self Help Groups (SHGs), Local Area Banks, Small Finance Banks, Payment Banks etc. also cater to the credit requirements in rural areas.

* Others includes i.e. Provident Funds, MFI, SHGs, Financial Corporations / Institutions, Financial Companies, Local Area Banks, Small Finance Banks and Payment Banks.

It can be seen from Table 1 that various non-institutional sources have shown resilience in retaining a large share in rural credit during the year 1951, it accounted for 92.8 percent of the total outstanding debt of households. Money lenders dominated the scenario in providing non-institutional credit and their share stood at 69.7 percent in 1951. After nationalization of banks in 1969, the share of non-institutional sources declined sharply to 70.8 percent in 1971 as nationalization of banks laid the foundation stone for furthering the role of institutional credit to rural sector. The nationalised banks thus became an

Table 1

Relative Share of Borrowings of Rural Households from Non-Institutional and Institutional Sources

(in percent)

Sources	1951	1961	1971	1981	1991	2002	2013	2018
(a) Non-Institutional of which	92.8	85.2	70.8	38.8	36	42.9	44	33.8
Money Lenders	69.7	60.8	36.9	16.9	15.7	29.6	33.2	22.8
(i) Agricultural Money Lenders	24.9	45.9	23.1	8.6	6.3	10.0	14.0	6.3
(ii) Professionals Money Lenders	44.8	14.9	13.8	8.3	9.4	19.6	19.2	16.5
Landlords	1.5	0.9	8.6	4.0	4.0	1.0	0.7	1.1
Traders and Commission Agents	5.5	7.7	8.7	3.4	7.1	2.6	0.1	0.6
Relatives and Friends	14.2	6.8	13.8	9.0	6.7	7.1	8.5	6.8
Others	1.9	8.8	2.8	4.3	2.5	2.6	1.5	2.5
(b) Institutional of which	7.2	14.8	29.2	61.2	64	57.1	56.00	66.1
Government	3.3	5.3	6.7	4.0	5.7	2.3	1.2	0.2
Banks	3.9	9.5	22.3	56.6	47.6	51.8	49.9	57.5
Co-operative Societies / Banks	3.1	9.1	20.1	28.6	18.6	27.3	24.8	9.9
Commercial Banks incl. RRBs	0.8	0.4	2.2	28	29	24.5	25.1	47.6
Others*	-	-	0.2	0.6	10.7	3.0	4.9	8.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source : All India Debt and Investment Survey, NSSO, Various Issues

important instrument for the advancement of credit in addition to co-operatives and State Bank of India (Varde, 1997). Thus, for the spread of banking, rural areas received the focussed attention after nationalisation.

It can also be seen from the above that the share of institutional credit stood at 7.2 percent in 1951 and co-operatives banks provided maximum share up to 1971. Under the planned development era, the government wanted commercial banks to play an important role in the development process, rather than being a passive agent. With the evolution of institutional credit and adoption of multi-agency approach for providing credit, the share of institutional sources increased to 64 percent in 1991, thereafter, showing a declining trend. It can be seen from the Table that share of commercial banks and cooperative banks in rural households' debt increased from 9.5 percent in 1961 to 22.3 percent in 1971 and 56.6 percent in 1981. The Table further depicts that the commercial banks were the main providers of institutional credit and they become the dominating agency after 1991. Their share was 0.8 percent in 1951 and increased to 47.6 percent in 2018. It can further be seen that institutional sources gained momentum in 2013 onwards, as a result of the various initiatives taken by Government during this phase. Hence, rural credit has witnessed significant changes over the time period in terms of focus, structure and approach.

State-wise Scenario of Banking in Rural Areas

To analyze the banking spread among 28 states and 8 union territories in various villages across the country in relation to the rural population data is presented in Table 2. It can be seen that there were only 53,332 branches of banks in rural areas at the end of 2022, catering to the banking needs of the rural population distributed among 6,63,636 villages in India. On an average, it was found that there was only one branch which caters to the banking needs of approximately thirteen villages in the country and the average population per bank branch in rural areas was 23,933 i.e. one branch caters to the banking requirement of more than 24,000 persons in rural areas. The Table reveals that the average population per bank branch varied from 866 in Uttar Pradesh to 1,74,184 in Utrakhand. Further, in case of number of villages served by per bank branch, Arunachal Pradesh has least number of branches in rural areas as 67 villages were served by one bank branch followed by Meghalaya (37), Manipur (34), Nagaland (28), Jharkhand (23) etc. Further it was also found in the study that during the pandemic phase, average population per branch and average village per branch slightly showed the declining trend.

Table 2
State-wise Scenario of Banking (2022) in Rural Areas

State	Number of Villages	Number of Bank Branches	Rural Population	Average Population Per Branch	Average Village Per Branch
Haryana	7602	1666	18279517	10972	4.56
Himachal Pradesh	20934	1258	7524677	5981	16.64
Jammu and Kashmir	7251	917	10908431	11896	7.91
Punjab	13087	2572	18469524	7181	5.09
Rajasthan	45910	2988	57197530	19142	15.36
Chandigarh	12	11	32124	2920	1.09
Delhi	222	86	779525	9064	2.58
Arunachal Pradesh	5577	83	1262704	15213	67.19
Assam	28679	1460	31786110	21771	19.64
Manipur	3827	112	2424223	21645	34.17
Meghalaya	6799	183	3303593	18052	37.15
Mizoram	837	77	638659	8294	10.87
Nagaland	1614	57	1962744	34434	28.32
Tripura	898	278	3496746	12578	3.23
Bihar	45172	3469	100273212	28906	13.02
Jharkhand	32725	1394	28824390	20677	23.48
Odisha	52141	2793	367088381	131432	18.67
Sikkim	453	88	488536	5552	5.15
West Bengal	41002	3986	75102640	18842	10.29
Andaman and Nicobar	552	25	264870	10595	22.08
Chhattisgarh	20578	1172	20931000	17859	17.56
Madhya Pradesh	55256	2371	58803658	24801	23.30
Uttar Pradesh	108910	7986	6913616	866	13.64
Uttarakhand	17033	973	169481306	174184	17.51
Goa	412	268	1137274	4244	1.54
Gujarat	19002	2558	43979585	17193	7.43
Maharashtra	44146	3209	67158829	20928	13.76
Daman and Diu	31	17	28083	1652	1.82

Continued

Continued Table 2

Dadra and Nagar Haveli	70	14	183114	13080	5
Karnataka	33182	3599	42173139	11718	9.22
Kerala	1665	362	28751893	79425	4.60
Tamil Nadu	18463	3125	46898664	15008	5.91
Lakshadweep	27	12	14550	1213	2.25
Pudducherry	116	56	558777	9978	2.07
Andra Pradesh	17973	2485	38145973	15350	7.23
Telgana	11235	1585	20881781	13175	7.09
Ladakh	243	37	249828	6752	6.57
Total (2022)	663636	53332	1276399206	23933	12.44
Total (2019)	663704	52183	961020798	24445	12.71

Source : Computed from India. Stat, World Bank Population Division, Basic Statistical Return, RBI (2022)

State-wise Growth of Credit in Rural Areas

To reach the unbanked areas under the ambit of banking services, several steps were taken by GOI and RBI to provide banking facilities, especially in rural areas. The objective covers the growth of banking services in rural areas. For analyzing the growth of banking and credit in rural areas following parameters have studied.

State-wise Credit Deployed by Commercial Banks in Rural Areas

Credit deployment is one of the essential components of growth of banking sector. It is the important catalyst which is used efficiently to increase the ability of borrowers to engage in production activities, as it helps in the financing, in the form of agriculture loans, crop loans, loans for allied activities, loan for village and cottage industry, loan for rural artisans and loan for self-employment.

Table 3
State-wise Credit Deployed by Commercial Banks in Rural Areas

(Amount Rs. in lac)

States	2005	2010	2015	2019	2022	Total	EGR
Haryana	359618	908728	2495436	3041000	3506300	28134389	12.65
Himachal Pradesh	219286	575548	1218453	1859550	2376600	15170840	13.24
J and K	163453	341764	1105644	2042960	2868100	14267146	15.92
Punjab	804746	1436016	3986547	5270440	5777700	47134015	10.95
Rajasthan	591259	1393777	3984356	5965200	7316600	45909139	13.98
Chandigarh	3259	79329	12343	20600	27600	9900540	11.87
Delhi	99098	318576	335673	308600	305000	5261300	6.25
A.P	9711	29751	46375	100555	165000	702796	15.74
Assam	172549	396700	913422	1870220	2354000	13508796	14.52
Manipur	9234	23779	57892	161100	250700	1017856	18.34
Meghalaya	21690	52210	181640	264540	350700	2083009	15.46
Mizoram	9297	20108	33875	55900	96500	480115	13.00
Nagaland	5435	21524	43586	86200	141700	637090	18.12
Tripura	28609	72679	201674	360400	467900	2509412	15.53
Bihar	425546	984070	1963475	3907340	5023200	29023351	13.71
Jarkhand	181351	369331	790453	1323600	1782300	10655122	12.70
Odisha	511948	1024032	1856733	2922140	3859900	24638544	11.22
Sikkim	14747	44294	53780	87400	132400	848252	12.19
West Bengal	476797	1208145	3104300	5481490	7025400	40262806	14.95
A and N	4019	15063	31245	44300	61500	376473	15.16
Chatissgrah	126531	276201	567840	944500	1350300	7869574	13.15
M.P	527919	1162766	2986350	3764530	4643100	33150632	12.08
U.P	1362942	2986422	7014756	11166540	13628200	89570124	12.79
Uttarakhand	108912	362758	701234	1243500	1463800	9923509	14.43
Goa	40243	93626	250348	309800	383700	2789443	12.53
Gujrat	479487	1101275	2804583	3776000	4699200	32708566	12.68
Maharastra	920201	1700949	4012230	5392900	6655900	49882791	10.99
D and N	1236	1108	5567	9600	13200	65082	13.16
D and D	153	0 (0.00)	768	1344	1430	9505	12.42

Continued

Continued Table 3

A.P.	1244030	3054823	6456789	7250338	9785200	75362467	11.46
Karnataka	925573	1967011	4907885	7145350	8906900	60054730	12.58
Kerala	243993	454632	801248	869200	1037900	9687144	8.04
T.N.	894679	2414675	6573831	9344340	12655200	76161131	14.72
Lakashwdeep	911	1400	2978	3700	4600	37416	9.00
Pudducherry	9099	34625	79340	127900	175300	1038537	16.44
Telgana	0	0	2765700	4309000	5614900	5809094	8.85
Ladakh					98500	98500	-
Total (Amount Outstanding) Rral Areas	10997561 (100.00)	24927695 (100.00)	60832305 (100.00)	88605567 (100.00)	115006430		13.04
Total (Amount Outstanding)	116220060	334516932	687847253	907188816	1225874800		13.09
%age	9.46	7.45	8.84	9.77	9.38		

Source : Data Compiled from Basics Statistical Returns, RBI (2005–2022).

Analysis shows that the amount of credit deployed increased from Rs.1,09,97,561 lac to Rs.11,50,06,430 lac with growth rate of 13.04 percent for the period from 2004–2005 to 2021–2022. The share of credit deployed by commercial banks in rural areas out of the total credit was 9.46 percent in 2004–2005 and it increased to 9.38 percent in 2021–2022. The share was increasing till 2019 but afterwards it slowed down. Table further observed that the maximum credit was also deployed in the state of Uttar Pradesh which stood at (Rs.8,95,70,124 lac) followed by Tamil Nadu (Rs.7,61,61,131 lac) and Andhra Pradesh (Rs.7,53,62,467 lac), over the period of study. The growth rate of credit amount deployed was highest in the state of Manipur (18.34 percent), Nagaland (18.12 percent) and in union territory of Pudducherry (16.44 percent) and lowest in union territory of Delhi (6.25 percent).

State-wise Progress of KCC by Commercial Banks in Rural Areas

The KCC scheme was introduced in 1998–99 as a step towards facilitating the access of short-term credit to the borrowers by formal financial institutions. The scheme was conceived as a uniform credit delivery mechanism that aimed at providing adequate and timely supply of short-term credit to the farmers to meet their crop production requirements. The main objective of the scheme was to provide an instrument, that allows the farmers to purchase agricultural inputs such as seeds, fertilizers, pesticides, and also allow them to withdraw some cash for meeting their other crop production related requirements.

Table 4
State-wise Progress of Kisan Credit Card by Commercial Banks in Rural Areas
(Amount Rs. in lac)

States	2005	2010	2015	2019	2022	Total	EGR
Andhra Pradesh	301735	3288000	1483825	2717562	3242005	11033127	13.19
Assam	5839	79500	138594	3928784	2582700	6735417	33.84
Arunachal Pradesh	1246	19560	7548	8730	4542	41626	7.19
Bihar	131755	1862000	857372	1240000	585490	4676617	8.29
Gujarat	103745	1543000	845360	1086000	3645035	7223140	19.77
Goa	1037	12000	6300	8000	9396	36733	12.24
Haryana	81635	861000	472380	655000	2771906	4841921	19.58
Himachal Pradesh	15735	256500	183839	214840	450733	1121647	18.64
Jammu & Kashmir	836	15000	253837	316000	524142	1109815	35.78
Karnataka	224865	2543000	875300	852000	1901366	6396531	11.86
Kerala	81635	1512000	276849	313000	1706852	3890336	16.89
Madhya Pradesh	163755	1813480	1038583	1651000	4183706	8850524	18.00
Maharashtra	235846	2972450	1784647	2146000	3506920	10645863	15.00
Meghalaya	5847	46000	43573	51000	11270	157690	3.65
Mizoram	1035	15400	8632	9800	4191	39058	7.77
Manipur	2940	28000	9438	15583	6028	61989	3.99
Nagaland	2947	23000	23840	26000	13160	88947	8.31
Odisha	93658	1257000	482500	655000	510897	2999055	9.43
Punjab	75642	1353000	572840	833430	4250487	7085399	22.38
Rajasthan	118396	1762000	1378629	2060000	5999167	11318192	21.81
Sikkim	478	8000	4300	4760	4372	21910	12.30
Tamil Nadu	375964	4224740	731620	550000	2198265	8080589	9.81
Tripura	3850	64000	38540	89000	27094	222484	10.84
Uttar Pradesh	532947	6917450	3018460	4499000	7067267	22035124	14.36
West Bengal	124846	1535840	601836	1003000	736658	4002180	9.86
Andaman and Nicobar	32	3000	730	0	2796	6558	24.83
Chandigarh	1	3450	7400	3600	10724	25175	51.56
Daman and Diu	34	2200	0	0	1500	3734	21.04

Continued

Continued Table 4

Delhi	325	22000	7630	3840	5339	39134	15.55
Dadra and Nagar Haveli	4	3400	780	0	1548	5732	33.10
Lakshadweep	45	1230	4873	0	37603	43751	37.38
Pudducherry	2564	60000	74639	5000	21575	163778	11.83
Jharkhand	31674	503000	483940	608000	245809	1872423	11.38
Chhattisgarh	31674	317000	174930	226000	478477	1228081	15.08
Uttarakhand	21947	304000	231836	204000	485219	1247002	17.20
Telangana	0	0	456849	1775000	2299467	4531316	20.20
Ladakh					422576	422576	
Total (Amt.)	1676640	23294536	19671357	90169304	132305174		

Source : Data Compiled from Basics Statistical Returns, RBI, NABARD, Publications (2005–2022)

Table 4 portrays that the amount sanctioned through the cards over the period of study was Rs.1676640 lac to Rs. 132305174 lacs. The amount sanctioned through these cards was highest in the state of Uttar Pradesh (Rs.22035124 lac) followed by Rajasthan (Rs.11318192 lac) and the lowest amount was sanctioned in the union territory of Andaman and Nicobar (Rs.6558 lac), Dadra and Nagar (Rs.5732 lac), Daman and Diu (Rs.3734 lac), and the state of Sikkim (Rs. 21910 lac). The Table also analyzed the growth rate of amount sanctioned which shows that union territory of Chandigarh has reported 51.56 percent growth rate followed by Lakshadweep (37.38), Dadra and Nagar (33.10 percent) and among states, it was Assam with (33.84 percent), and the lowest growth rate was in the state of Manipur (3.99 percent), Meghalaya (3.65 percent), Arunachal Pradesh (7.19 percent). It was found that due to the restrictions compelled during Covid 19 there were number of states that showed adverse impact on the farmer's access to credit through KCC. These states include Assam, Arunachal Pradesh, Bihar, Meghalaya, Manipur, Mizoram, Nagaland, Odisha, Tripura and West Bengal.

State-wise Credit Given to Agriculture Sector by Commercial Banks in Rural Areas

Agriculture advances comprises of the advances sanctioned to farmers for financing their production and development needs. Banks; in rural areas of India have played a significant role in providing agricultural advances. That is why credit to agricultural sector has always commanded special attention in terms of both policy issues and institution building (Gadgil, 1994).

Table 5**State-wise Credit Given to Agriculture Sector by Commercial Banks in Rural Areas****(Amount Rs. in lac)**

States	2005	2010	2015	2019	2022	Total	EGR
Andhra Pradesh	47440	191490	375692	1264119	6918700	8797441	27.68
Assam	7170	25580	49213	168422	761500	1011885	25.92
Arunachal Pradesh	7500	17900	72672	270756	97000	465828	14.22
Bihar	86110	268060	547034	1324311	2997000	5222515	19.72
Gujarat	65650	187760	505651	1869026	2837000	5465087	20.92
Goa	26460	95500	17750	139717	40900	320327	2.42
Haryana	81930	308130	136087	1441653	2256600	4224400	18.42
Himachal Pradesh	4620	21080	56756	346050	630200	1058706	27.31
Jammu and Kashmir	340	1890	3331	21812	64980	92353	29.18
Karnataka	690	1660	4082	20371	56746	83549	24.50
Kerala	300	1240	2528	10840	57060	71968	29.16
Madhya Pradesh	1010	2600	6066	56193	29584	95453	18.76
Maharashtra	150	1040	1712	14077	33497	50476	30.05
Meghalaya	150	1350	1323	10363	42900	56086	31.42
Mizoram	26880	83190	209385	669152	205500	1194107	11.30
Manipur	7190	21530	49995	333016	57400	469131	11.54
Nagaland	16690	91190	105333	569944	98000	881157	9.83
Odisha	150	550	1253	16056	17905	35914	26.57
Punjab	70550	209370	330258	1580696	3043700	5234574	20.91
Rajasthan	50	200	836	9262	51760	62108	38.57
Sikkim	68100	236360	436353	1669176	2385600	4795589	19.76
Tamil Nadu	8540	70260	64367	42163	86180	271510	12.84
Tripura	114230	372800	710567	2075189	1424700	4697486	14.02
Uttar Pradesh	7950	31700	118644	595568	1003156	1757018	26.88
West Bengal	60290	224030	419803	2410363	2773800	5888286	21.27
Andaman and Nicobar	144630	504770	1767649	9302861	1677600	13397510	13.62
Chandigarh	0	40	168	7502	3300	11010	33.94

Continued

Continued Table 5

Daman and Diu	1000	6980	8690	75529	11400	103599	13.52
Delhi	20	60	485	1352	7100	9017	32.62
Dadra and Nagar Haveli	153540	582650	1111380	1947804	1156000	4951374	11.22
Lakshadweep	122890	323940	845705	2099223	4056000	7447758	19.43
Pudducherry	49910	197200	552239	1633886	1156000	3589235	17.46
Jharkhand	133120	545660	1177781	3812273	8084000	13752834	22.81
Chhattisgarh	1090	5410	14886	63541	39580	124507	19.96
Uttarakhand	10	60	56	392	4490	5008	33.93
Telgana			12730	23890	40639	77259	14.51
Ladakh					206	206	-
Total (Amount Outstanding) in Rural Areas	5343986	13753901	31844522	44482806	44207683		
Total (Amount Outstanding)	12438489	39029831	72434545	93679085	130331520		
%share	42.96	35.24	43.96	47.48	33.91		

Source : Data Compiled from Basics Statistical Returns, RBI, NABARD, Publications (2005–2019)

Table 5 exhibits that the loan amount in agriculture sector over the period of study. The amount outstanding in these accounts stood at Rs.5343986 lac in 2004-2005 which increased to Rs.44207683 lac in the year 2021-2022. The share of amount outstanding of agriculture sector in rural areas to total amount outstanding at all India level has shown a declining trend during the initial years of the study and increased after 2014, but after 2019 it showed decline again. It stood at 47.48 percent in 2019 and afterwards it declined to 33.91. The amount outstanding was highest in Jharkhand (Rs.13752834 lac) followed by Andhra Pradesh (Rs. 8797441 lac) and in union territories it was highest in Andaman and Nicobar (Rs.13397510) whereas the lowest amount outstanding was found in states of Uttarakhand with Rs.5008 lac and Odisha with Rs.35914.

Loan Products Offered by Banks for Rural Areas

Banking services form the integral part of the economy and commercial banks play an important role in delivering banking services in rural areas.

Reach and expansion of banking services are considered as one of the main precursors for growth of an economy. The paper covers the banking products offered by selected public and private sector banks to cater the credit requirements of the rural customers. To study the products offered in rural areas, six public sector banks and three private sector banks were selected. For having a deeper insight into the loan products, offered by the selected banks to their rural customers, banks were selected as per (RBI, publications) having at least 25 percent of their branches in rural areas. As per the report, four public sector banks (Punjab National Bank, Punjab and Sind Bank, SBI, UCO bank) and three private sector banks (HDFC bank, AXIS bank and ICICI bank) were selected.

All the four banks had opened up number of branches and are operating through various branchless modes in rural areas. It was found that public sector banks have highest number of branches in rural areas followed by private sector banks.

Further, it has been found that among all the selected public sector banks, Punjab National Bank offered maximum number of loan products designed especially for rural people as compared to other selected commercial banks. Punjab National Bank offers various products such as financing farmers for purchase of trucks and other transport vehicles, financing for repair/renovation of tractors, and purchase of second hand tractors, tractor financing without mortgage of land, financing forestry development, minor irrigation, Kisan tatkal rin card yojana, Krishak sathi scheme, scheme on organic farming, scheme for financing green houses, kisan credit card scheme, financing for milk production activity, scheme for financing setting up of biogas units, financing piggery development, sericulture, apiculture (bee-keeping), sheep/goat breeding/rearing activities, fisheries development, financing marine fisheries, financing poultry farming, Dugdh Vikas Yojana, Sona Krishi Rin Yojan, Kisan Gold Scheme. Though all the banks give products related to Covid but PNB was the only bank which designed special product named SHG Covid tatkal SAHAYATARIN only for rural areas. SBI has emerged one of the leading common bank in financing of rural areas. It has designed various products such as kisan credit cards, Stree Shakti tractor loan, new tractor loan scheme, tatkal tractor loan, combine harvester loan, drip irrigation loan, produce marketing loan, agri clinic and agri business centers, land purchase scheme, Krishakuthan yojna, debt swapping of borrowers, dairy loan, poultry loan, fishery loan, gold loan for crop

production, multipurpose gold loan.

Mostly all public sector banks offered wide range of products to rural borrowers. They have designed more products keeping in mind almost all the requirements of rural borrowers ranging from loan for agriculture, loan for allied activities, loan for purchase of agriculture inputs etc. Among the selected private sector banks, HDFC Bank offered more products to meet the credit requirements of rural customers as compared to AXIS bank and ICICI bank. The product offered by HDFC Bank includes: small agri business loan, Kisan Shakti, tractor Loan, vehicle loans, kisan gold card etc. Further, it can be concluded that these banks not only cater to the requirements relating to agriculture to sustain their livelihood but also offer them wide range of products for other aspects like gold loan, loan for financing of purchase of transport vehicles etc.

SUGGESTIONS

People in rural areas are not much aware about the significance of various banking products so it is very important that to educate the rural people about various banking products and services in rural areas.

There is a declining trend in the branch expansion in rural areas and still one third of the rural households are dependent on non-institutional sources. Out of the existing bank branches, one branch caters to 24000 persons on an average.

Various initiatives should be taken up by the banks to reach unbanked areas so as to provide access of banking services which is necessary for a uniform development of a country. Special focus should be given to the states namely Tripura, Sikkim, Telgana and union territory of Pudducherry.

In order to bring the excluded rural population into the fold of credit, there is need to build an enabling system with respect to policy interventions, institutional innovations and digital technology.

It was found in the study a meager portion of credit was deployed in the states of Telgana, Nagaland, Mizoram and the Union territory of Daman and Diu and Lakshadweep, so banks should deploy more credit in these states. Maharashtra, Odisha and Karnataka have shown a declining trend in credit deposit ratio which shows that these states should deploy more funds in rural areas.

For banks, opening a brick-and-mortar type branch in rural area may not be financially and operationally viable because of many constraints. Therefore, they need to scout for innovative models to increase the number of rural customers.

Banks should take various initiatives to create awareness regarding products and services among rural masses. More financial literacy camps should be set up to provide knowledge to the rural customers regarding banking services.

Banks should launch awareness camps and disseminating information on dealing with COVID-19 in rural areas.

Banks should push for credit linkage in the rural areas.

CONCLUSION

The development of rural credit delivery system in the country has metamorphosed from monopoly of co-operatives institutions to the induction of commercial banks, then to the establishment of RRB's and further to introduction of financial inclusion plans. Further, various policy initiatives with regard to rural credit delivery system helped in enhancing the flow of credit in rural areas. Nationalization of banks made the tremendous expansion of scheduled commercial banks outreach, especially in rural areas. The post-nationalization growth rate of rural branches, deposits and credit of scheduled commercial banks helped in achieving the penetration of banking services in rural areas. The study found that COVID-19 has adverse impact on Kisan Credit Card and slight impact on agriculture and rural credit. Moreover during this period the average branches in villages and population per branch slightly decreased. Further it can be concluded that banks not only cater to the requirements relating to the agriculture to sustain their livelihood but also offer them wide range of products for other aspects like gold loan, loan for financing of purchase of transport vehicles etc. It has been found that among all the selected public sector banks, Punjab National Bank has offered maximum number of loan products designed especially for rural people as compared to other selected commercial banks. It was followed by SBI, that also caters to banking requirements of rural people. Mostly all public sector banks offer wide range of rural credit products to their borrowers and these banks are offering credit products in rural areas through their branches and business correspondents. Among the selected private sector banks, HDFC

Bank offered more products to meet the credit requirements of rural customers as compared to AXIS bank and ICICI bank.

References

- Hoda, A.; and Terway, P. (2016), "Credit Policy for Agriculture in India – An Evaluation", Working paper 302, retrieved from Indian Council for Research on International Economic Relations.
- Joshi, D. P. (2014), "Strengthening and Revitalising Rural Cooperative Credit Delivery System" Speech by Director of the RBI at the National meet of CEOs of State Cooperative banks, retrieved from <http://www.bis.org/review/r140326f.pdf>.
- RBI, Report (1970), "Report on the Working Group of Agriculture Credit", retrieved from [https://www.rbi.org.in/Scripts/Publication Report](https://www.rbi.org.in/Scripts/Publication%20Report.aspx).
- RBI Report (2008), "Evolution of Banking", report retrieved from <http://rbidocs.rbi.org.in/rdoc/publications>.
- Report (2011), "Census of India", retrieved from <http://nhm.gov.in>.
- Report (2020), "Centre for Monitoring Indian Economy" retrieved from <http://www.cmie.com>.
- Samal, B. (2002), "Institutional Credit Flow to West Bengal Agriculture: Revisited", *Indian Journal of Agricultural Economics*, Vol. 57 (3), pp. 546-559.
- Satyasai, K. J. S. (2012), "Access to Rural Credit and Input Use : An Empirical Study", *Agriculture Economic Research Review*, Vol. 25, pp. 461-467.
- Tripathi, A.; and Prasad, A. (2010), "Agricultural Development in India since Independence: A study on Progress, Performance and Determinants", *Journal of Emerging Knowledge on Emerging Markets*, retrieved from <http://www.10.7885/1946-651x.1007>.
- Varde (1997), "Rural Banking – From Nationalisation to Rationalisation in Banking Reforms in India", New Delhi, pp. 432-441, retrieved from <https://www.finology.in/recent-updates/nationalization-of-banks>.
- Various Annual Reports, Pamphlets, Brochure and Websites of selected Bank.