REGIONAL RURAL BANKS AND RURAL DEVELOPMENT: A REVIEW OF LITERATURE REVIEW

By

***Md. Ammar, & **Himanshu Kumar Pandey**

**Research Scholar, (Department of Commerce), Multanimal Modi College, Modinagar, CCSU, Meerut, Uttar Pradesh, India.*

***Research guide and Assistant Professor (Department of Commerce), Multanimal Modi College CCSU, Meerut, Uttar Pradesh, India.*

Abstract

Banking plays a crucial role in the growth and development of developing nations such as India. It serves as a lubricant for the entire monetary and financial system, ensuring smooth operations. A significant portion, approximately 70%, of the Indian population resides in rural areas. In order to foster the development of the Indian economy, it is imperative to focus on the progress of these rural regions. In order to fulfil the objectives a thorough investigation is done to find and report the literature available in the above said context. And the review is been conducted for the latest literature available on the various databases pertaining to academic research. The review has been undertaken in heads namely first on the rural banks in India secondly rural development and finally rural banks and rural development. It was concluded that The success of rural finance is primarily contingent upon the financial strength and capability. RRBs are the most crucial financial institutions at the rural level, assuming the responsibility of meeting the credit requirements of rural areas.

Keywords: *rural banking, rural development, regional rural banks.*

Introduction

In the midst of the COVID-19 pandemic, it is crucial to focus on reviving economies, with rural areas playing a significant role in this effort. The dispersion of inhabitants and the migration of rural people to urban centres have negatively impacted rural development. However, the isolation and low population density of rural areas have provided a sense of security for those seeking to avoid crowded cities. Rural areas not only offer essential resources like food and natural environments but also contribute to occupations, development, wealth trends, and the

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preservation of cultural heritage. Therefore, it is essential to address the issue of rural development as it is integral to regional and national progress (Kusio & Fiore, 2022). In a nation such as India, where the majority of the population is comprised of villagers, rural development is both a means and an end in itself. In recent times, this issue has become a priority for industrialists, financial institutions, bankers, philanthropists, and governments. It is essential to ensure that the lives of the majority are worth living and that the benefits of India's economic growth are passed on to them. Over the past four decades, India has been subject to a combination of regulations and liberalization, leading to its current growth rate, which is second only to China's. This growth rate has averaged 8.46 percent over the past five years, and is expected to continue. According to the Economic Survey, India is on track to surpass Japan's pre-quake growth rate by 2030. Currently, India is home to 11 percent of the world's wealthiest people, as reported by Forbes India Magazine in 2010. The majority of India's population is still living in rural villages, with agriculture being a major source of livelihood for two-thirds of the population. Approximately fifty percent of India's population are engaged in agriculture and related activities. Consequently, the development of the agriculture sector is essential for the development of rural India. Therefore, the government must prioritize the agricultural sector in order to improve the status of the rural population. Agriculture and rural development are mutually beneficial (Kumar et al., 2021).

Government-owned scheduled commercial banks, known as regional rural banks (RRBs), are present in various states of India and are under the control of the Ministry of Finance. These banks were established with the aim of providing basic banking services to rural areas. However, they may also have branches in urban areas. The scope of their operations is restricted to the area designated by the Government of India, which typically includes one or more rural districts. RRBs are responsible for a variety of functions, including providing banking services to both urban and rural areas, executing government operations such

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as the payment of wages of Members of the National Green Revolution for Rural Development (MGNREGA) and pension distribution, as well as providing a range of peripheral banking services, including locker facilities, credit, debit, mobile, internet, and Unified Payment Interface (UPI) services (Amuthan, 2008; Lokesha MN & Mahesha M, 2016). Regional Rural Banks (RRBs) were established in order to provide adequate banking and credit facilities to rural areas in order to include them in the economic mainstream of India, as approximately 70% of the country's population was rural. The first RRB was Prathama Bank, established on 2 October 1975 under the auspices of the Indira Gandhi government and sponsored by Syndicate Bank. Subsequently, five other RRBs were established, sponsored by the State Bank of India (Gaur Gramin Bank), the Bank of Gorakhpur (State Bank of India), the Bank of Haryana (Punjab National Bank) and the Bank of Jaipur (UCO Bank). The central government, the state government and the sponsoring bank each held 50%, 15% and 35% shareholdings respectively. In August 2009, the Union Finance Minister conducted a review of the Reserve Banks of India (RRBs) and found that a significant proportion of them had a low CRAR. Subsequently, a committee was set up in September 2009, led by the Vice-Governor of the RBI, K. C. Chakrabarty, to assess the financials of RRBs and propose measures, such as re-capitalisation, to ensure that the CRAR of the RRBs reached a sustainable level of 9% by 2012. The report of the committee was submitted in May 2010. The committee recommended that 40 of the 82 Regional Bank Banks (RBBs) should be recapitalised in two instalments in 2010 and 2011–12, while the remaining 42 RRBs should be able to maintain a minimum CRAR of 9% by 31 March 2012 and then be able to do so on their own. The committee also recommended the establishment of a Fund of Rs. 100 crore to provide training and capacity building for RRB staff. The Government of India has approved the recapitalisation of the Reserve Banks of India (RRBs) in order to improve their Capital Allocation Ratio (CRAR). This recapitalisation will involve a disbursement of ⍰ 1,100 crore from the central government, in accordance with the provisions made by the Ministry of Expenditure for the financial year 2010-11 and the financial year 2011-12. However, the disbursement of the funds is contingent upon the appropriate disbursement of funds from the state government and the sponsor banks. Additionally, a Capacity Building Fund of □ 100 crore will be established by the central government in collaboration with the National Audit Board of India (NABARD) to provide training and capacity building services to the staff of the RRBs in the institution of NABARD and other reputable institutions. The central government will regularly review the functioning of the fund and NABARD will prepare an action plan which will be sent to the government. Finally, a contingency fund of □ 700 crore has been established to meet the needs of the weak regional banks in the north-east and eastern region.

Objectives and methodology

The present study attempts to examine the role of RRBs in the rural development undertaking the underpinning of the literature revolving around the rural banking and rural developments on India.

In order to fulfil the objectives a thorough investigation is done to find and report the literature available in the above said context. And the review is been conducted for the latest literature available on the various databases pertaining to academic research. The review has been undertaken in heads namely first on the rural banks in India secondly rural development and finally rural banks and rural development.

Rural Development

(Kusio & Fiore, 2022) examined the influence of various stakeholders on rural development, considering their increasing role and diverse objectives. Stakeholders from corporate, scientific, public administration and societal sectors are analyzed, with a particular focus on identifying specific groups within these sectors, such as social leaders. (Harbiankova & Gertsberg, 2022) proposed the improvement of the instructive model of a country settlement framework at a nearby arranging level, including five principal determinants of manageability, specifically friendly, innovative, monetary, natural, and political. The model was endorsed by the evaluation

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of improvement situations for the Zavalocycy nearby gathering as the first-level unit of an arranging framework. The examination results showed the importance of the enlightening model for the checking of feasible improvement at a nearby arranging level. (Hossain et al., 2023) suggested that Frugal innovations are more likely to contribute to Sustainable Development Goals (SDGs) than Conventional Products. However, some SDGs have a limited potential for Frugal and other types of innovations to make meaningful contributions, as they are mainly designed to be evaluated at national level. India's rural development has been significantly impacted by the implementation of three rural employment guarantee schemes: the Mahatma Gandhi National rural Employment Guarantee Act (MANREGA), the Pradhan Mantri Azad Yousha Gramin (PMAY-G) and the Deen Dayal Uttar Pradesh Gramin Kaushilya Yojana (DDU-GKY). The MANREGA scheme has provided employment opportunities to 29.3 crore rural people, while the PMAY-G scheme has provided pucca houses with essential amenities to 1.40 crore people, compared to the 2.2 crore target. Furthermore, under the DDU-G KY scheme, an estimated 11.12 lakh candidates have been trained, resulting in 6.48 lakh jobs being placed on the jobs from these trained candidates(Kumar et al., 2021). (Rao, 2019) revealed that The Prime Minister's Office (PMO) has reported that 44,54 lakh houses were constructed under the Prime Minister's Youth Employment Guarantee (PMAY-G) scheme during the 2017-18 fiscal year, in comparison to the target of constructing 1,00 crore houses by March 2019. Additionally, the construction rate of PMG roads has reached an eight-year high of 134 km per day, compared to the average of 73 km per day during the 2011-2014 period. This has resulted in a 93 per cent increase in construction pace. Furthermore, MGNERGE has supported the employment of 5,12 crore households through the generation of more than 234,25 crore PWD days covering 177,000 works during the financial year. The Government of India has declared a number of schemes with the aim of providing homes, constructing roads, and providing employment opportunities to rural people. (Himanshu Pandey & Prof. Vijay Kumar Agarwal, 2022) examined the role these schemes have played in the development of India's rural economy and evaluates their current progress. Investment in infrastructure, particularly in the renovation of rural roads, has been found to have a positive effect on the development of local communities and markets (Samanta, 2015). Numerous studies on rural road development have been conducted in various countries, which have indicated an increase in the wages of male farmers and aggregate crop indices in Bangladesh, as well as an increase in food availability, primary school completion rates, and wages of agricultural workers in Vietnam (Ghosh, 2017; Kumar et al., 2021; Samanta, 2015). However, there is a lack of research on Indian rural roads. In order to gain a better understanding of the current state of rural transport in India, (Ghosh, 2017; Kumar et al., 2021; Samanta, 2015) examined some past trends and current practices associated with rural road infrastructure development. Additionally, it examines the socio-economic conditions of rural populations and the overall contribution of rural road infrastructure to the nation (Samanta, 2015). (Krishna Somani & Dr. Ankita Singh Rao, 2020) pointed out that the development of a limited number of sectors, such as Finance, Land Acquisition and Planning, Technology, Water, Telecommunication, and Energy, are being addressed through the forthcoming planning and strategies designed to address the challenges. If infrastructure is developed, all sectors of society will experience development in all aspects. Public Private Partnerships (PPPs), government infrastructure projects (traditional procurement) and private sector projects are all contributing to the development of infrastructure. (Krishna Somani & Dr. Ankita Singh Rao, 2020) demonstrated a strong correlation between infrastructure, economic development, rural development, and poverty reduction. Generally, rural development is the process of enhancing the standard of living and economic well-being of people residing in rural areas. In order to achieve the desired socio-economic development of the rural population, a variety of rural development programming initiatives are being undertaken. The agricultural sector is facing a variety of difficulties. Infrastructure is the foundation of any nation's growth and prosperity. Whether it is highways, railways, or even digital-based infrastructure, the government has moved beyond incremental growth to achieve transformative outcomes. Digital literacy is one of the key objectives of the digital India program, which is intended to address the emerging needs of citizens in rural areas for quality and affordable healthcare (Gangopadhyay & Singh, 2008; Ghosh, 2017; Krishna Somani & Dr. Ankita Singh Rao, 2020; Lokesha MN & Mahesha M, 2016; Nirala, 2020).(Author & N, 2017) pointed out that from a rural point of view, road transport is the most essential form of transport in the nation. Road infrastructure is the fundamental form of transport in rural areas, enabling the majority of people living in remote villages to participate in the economy. Developing rural infrastructure is essential for agricultural production and economic development, as well as to improve the standard of living. Recognizing the need to create basic infrastructure to facilitate agricultural, production, transportation, marketing, and other related activities, the Government of India initiated certain programmes to enhance rural road infrastructure.

Rural Banking in India

In India, rural banking has played a significant role in technological advancement and economic equilibrium. The primary objective of rural banking is to facilitate convenient access to financial services for the rural population, which is typically underserved by the formal banking sector. (Shetty & Bhat, 2022) aimed to shed light on Regional Rural Banks (RRBs) and their contribution to the Indian banking system and economy. Additionally, it seeks to compare the growth of amalgamated RRBs with standalone RRBs, and identify the challenges faced by RRBs by evaluating their performance over time. (Shetty & Bhat, 2022)'s research is based on secondary data, which was collected from various public and unpublished sources such as websites, books, journals, magazines, newspapers, Reserve Bank of India annual reports, and research papers. The findings of

(Shetty & Bhat, 2022) indicated an increase in the number of branches and their performance. Moreover, there has been an improvement in the efficiency of expanding financial services to rural areas. The implementation of new amalgamation systems has enhanced the operational capabilities and expansion efforts of banks. Banking plays a crucial role in the economic development of every nation by facilitating credit provision and fostering financial literacy. However, despite extensive efforts, a substantial portion of the rural population remains excluded from the banking system. Rural areas in India possess immense potential for development and offer significant business opportunities for banks (Yepuri & Kanaka Durga, 2020). Nevertheless, there exists a considerable disparity in banking activities within these regions. The majority of India's population resides in villages and agency areas, characterized by low literacy rates and meagre income levels. In numerous areas, the basic needs of the people are unmet, with a lack of bank branches prevalent in rural India. This discrepancy can be attributed to various factors, including the concentration of banking services in urban areas. Consequently, rural areas in India are inadequately served. Many banks primarily cater to industrialists and profitable regions, neglecting agriculturists, artisans, laborers, and other vulnerable segments of society. Rural development holds a significant position in the overall economic progress of the country (Shetty & Bhat, 2022; Yepuri & Kanaka Durga, 2020). However, the state of rural banking in India is far from satisfactory. It is imperative to introduce innovative models in product design and delivery methods, leveraging technology and related processes to ensure comprehensive access to banking services for all rural inhabitants (Yepuri & Kanaka Durga, 2020). Banking plays a crucial role in the economic development of every country by facilitating credit and promoting financial literacy. Despite significant efforts, a substantial portion of the rural population in India remains unbanked. Rural India presents immense potential for development and offers significant business opportunities for banks. However, there exists a significant gap in banking activities in rural areas, where the majority of the population resides. The literacy rate in rural areas is low, and income levels are meagre, with many basic needs remaining unfulfilled. Most villages lack bank branches, and banking services are primarily available in urban areas (Azeez & Akhtar, 2021; Shetty & Bhat, 2022; Wiggins, 1992; Yepuri & Kanaka Durga, 2020). As a result, agriculturists, artisans, hand-workers, labourers, and other weaker sections are often neglected. Rural development is a crucial component of overall economic development in India, but the state of rural banking in the country is not encouraging. Innovative models in product design and delivery methods are necessary to bridge the gap and reach all rural populations, including those in remote areas. Since nationalization in 1969, the principal commercial banks in India have been subject to government policies aimed at expanding banking into rural areas and meeting social and developmental objectives. However, a study of rural bank branches in the Madurai region of Tamil Nadu reveals that while the institutional strength of commercial banks allowed for rapid and extensive expansion of rural banking, the services offered did not always align with official intentions, as they were often tailored to bank interests. Private banks have demonstrated a notable difference in behavior, utilizing technology and related processes to reach all rural populations (Azeez & Akhtar, 2021; Gautam et al., 2022; Shetty & Bhat, 2022; Wiggins, 1992; Yepuri & Kanaka Durga, 2020). The cashless transaction system is experiencing continuous growth as the global market becomes more interconnected and the banking sector develops further, leading to a shift from cash to cashless transactions among the population. The adoption of a cashless system is not only a necessity but also a requirement in today's society (Kandpal & Mehrotra, 2019). Efforts to promote financial inclusion in India have yielded mixed results in recent years. While there has been a significant increase in access to bank accounts due to strong policy and regulatory measures, the utilization of these accounts and the uptake of formal financial services beyond savings accounts have remained challenging (Kandpal & Mehrotra, 2019). The government's recent initiatives, such as demonetization and the promotion of cashless transactions, will stimulate innovation and attract new players to the industry. Amendments to the banking act clearly demonstrate the government's, Reserve Bank of India's, and banking institutions' commitment to ensuring stable economic growth through a healthy banking, financial services, and insurance sector (Kandpal & Mehrotra, 2019). Establishing trust within the industry will be crucial for India's future growth. The emergence of new technologies presents unique challenges for banks and regulators, particularly in terms of security. With the rise of cyber-frauds, regulators and bankers must collaborate to implement effective control mechanisms. The Indian government's strong support has facilitated access to financial products for the unbanked population. Payment organizations have showcased the benefits of mobile-led solutions, prompting traditional banking institutions to introduce innovative mobile-based banking solutions in rural India. With government backing, large technology companies are employing novel approaches to reach rural communities and educate them about various financial products, ensuring that their hard-earned income is invested wisely (Kandpal & Mehrotra, 2019). (Joshi, 2012) investigated the current state of banking services in rural areas of India and assess the potential demand for such services. It will analyze the emerging opportunities that may encourage commercial banks to establish rural banking centers. Additionally, Digital financial inclusion refers to the provision of internet access to excluded and underserved populations, enabling them to utilize formal financial services. The implementation of e-banking activities in rural areas of India has been found to have a positive impact on the usage of financial services and overall living conditions, primarily due to the integration of technology in financial inclusion efforts (Saxena & Goyal, 2022). Furthermore, the adoption of digital financial services has been shown to contribute to economic growth. The objective of this research is to identify the factors that influence the adoption of digital financial services, as well as individuals' intentions to use them. By doing so, (Saxena & Goyal, 2022) determined how the appropriate technology and strategic approaches can facilitate India's achievement of financial inclusion. Additionally, (Saxena & Goyal, 2022) ascertained the role of digital financial inclusion in the country's economic development. (Saxena & Goyal, 2022) adopted an exploratory approach, focusing on the utilization of secondary sources of data pertaining to financial inclusion. By analyzing these sources, (Saxena & Goyal, 2022) gained a deeper understanding of emerging banking technologies and individuals' perceptions regarding the adoption and usage of banking services.

Rural banking and Rural Development

Banking plays a crucial role in the growth and development of developing nations such as India. It serves as a lubricant for the entire monetary and financial system, ensuring smooth operations. A significant portion, approximately 70%, of the Indian population resides in rural areas. In order to foster the development of the Indian economy, it is imperative to focus on the progress of these rural regions. To achieve this, it is essential to establish a banking system in rural areas that provides credit to rural households at lower and more reasonable terms compared to traditional moneylenders who exploit the rural population by offering loans at exorbitant interest rates. This exploitation often leads to an inability to repay loans, resulting in the loss of assets and even suicides among rural individuals. To mitigate these negative consequences, the government has appointed the Narasimhan Committee, a working group on rural credit. Based on the committee's recommendations, regional rural banks have been established. The primary objective behind the establishment of these banks is to promote the development of agriculture, trade, commerce, industry, and other productive activities in rural areas, particularly in regions lacking banking services. These banks aim to provide cheaper institutional credit to the weaker sections of society. This research paper sheds light on the necessity of a banking system in rural areas and the significant role played by the banking system in rural development. It also discusses the challenges faced by regional rural banks in India and provides suggestions to overcome these issues. (Kathawala & Sharma, 2021) analyzed the financial performance of regional rural banks in India as of March 31, 2017, in comparison to March 31, 2016 and relies on secondary data collected from the annual reports of the National Bank for Agriculture and Rural Development (NABARD). (Kathawala & Sharma, 2021) confirmed that regional rural banks play a vital role in the development of rural areas. Regional Rural Banks (RRBs) were established with the aim of providing banking and financial services to rural areas. These institutions were brought into the public domain through an ordinance passed by the President of India in September 1975, with the specific intention of catering to the banking and credit needs of the agricultural and other rural sectors across the nation. RRBs are crucial financial institutions at the rural level, primarily responsible for providing agricultural credit in rural areas (Prof. Nisar Ahmed Mulla, 2021). They have extensive reach in rural areas and play a significant role in strengthening the agriculture sector and promoting rural development in India. The primary objectives behind the establishment of such vibrant institutions in India were to bridge the gap between banks and rural households, particularly in areas where banking services were lacking. Additionally, these institutions aimed to encourage rural savings, generate employment opportunities, and provide affordable credit to marginalized sections of rural India. However, recent studies indicate that RRBs are currently facing significant financial distress. This paper aims to examine the financial performance of selected RRBs in Jammu and Kashmir using the "CAMEL" model approach. The findings of the study reveal that the performance of J&K Grameen Bank (JKGB) and Ellaquai Dehati Bank (EDB) is below expectations (Prof. Nisar Ahmed Mulla, 2021).

(Singh Gautam et al., 2022) examined the impact of regional rural banks on poverty reduction and rural development in India. The research employs secondary data from 29 Indian states and two union territories over a period of three financial years, spanning from 2018 to 2020. Panel data analysis (PDA) is utilized to test the research hypothesis. (Singh Gautam et al., 2022) indicated that regional rural banks have a positive effect on poverty alleviation and rural development. (Singh Gautam et al., 2022) recommended that regional rural banks and the government should prioritize the development of infrastructure and financial literacy, which are crucial components of regional rural banks and financial inclusion. These measures are essential for poverty reduction and rural development. (Singh Gautam et al., 2022) highlighted that investing in infrastructure that enhances banking services can lead to remarkable economic growth and poverty alleviation.

The development of India's economy and rural sector is heavily reliant on agriculture. Therefore, it is imperative to devise strategies that aim to increase income and generate employment opportunities in rural areas. These strategies should also focus on reducing poverty in unbanked rural areas and establishing appropriate institutions and mechanisms to meet the credit requirements of the rural sector (Kuranal & K, 2022). A notable step taken towards this direction was the establishment of Regional Rural Banks (RRBs) during the mid-1970s. These specialized financial institutions cater to the credit needs of small and marginal farmers, agricultural workers, artisans, and small business owners, enabling them to expand their businesses. In addition to the RRBs, commercial and cooperative banks have also been involved in meeting the financial needs of the rural sector. However, the efforts of commercial banks to increase agricultural credit were limited due to their primary focus on profitability. On the other hand, cooperative banks faced various financial difficulties that hindered their ability to support the rural sector. Nevertheless, over time, Regional Rural Banks have managed to expand their client base, increase their revenue, and enhance their capacity to provide credit to the underprivileged. However, the current environment has revealed certain flaws that have weakened the profitability and viability of Regional Rural Banks. These flaws include issues such as past due payments, loan recovery challenges, and nonperforming assets (Kuranal & K, 2022). Despite these challenges, Regional Rural Banks continue to play a crucial role in

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delivering credit to rural regions, facilitating the growth of trade, industry, and agriculture. Their extensive network allows them to have a wider reach in India's rural areas, making them indispensable in the country's agricultural and rural development. The financial stability of rural areas in India is a pivotal factor in the success of rural credit. Regional Rural Banks serve as a vital source of finance for these areas, providing various types of agricultural credit to meet their loan requirements. However, it is important to address the existing challenges faced by regional rural banks to ensure their long-term profitability and viability. By doing so, these banks can continue to contribute significantly to the development of India's rural regions (Kuranal & K, 2022).

(Lal, 2019) assessed the influence of financial inclusion on rural development through the utilization of cooperatives. The research methodology involved the collection of primary data from 540 beneficiaries of cooperative banks operating in three northern states of India (J&K, Himachal Pradesh, and Punjab) using purposive sampling between January and June 2016 and indicated that financial inclusion through cooperatives has a direct and significant impact on rural development. Additionally, the (Lal, 2019)'s results support the notion that financial inclusion is a strategy for achieving inclusive growth, which is a subset of a broader concept of inclusive development..

In India, a significant proportion of the population resides in rural areas, as evidenced by the World Bank Development Indicators which reported a figure of 65.97% in 2018. However, access to banking services remains limited for this rural population. Consequently, the Government and Reserve Bank of India have implemented measures to promote financial inclusion and integrate the marginalized segments of society into the Indian banking system (Nandini et al., 2021). (Nandini et al., 2021) examined the role of rural banking, focusing on its growth, expansion, and performance over a ten-year period from 2008-09 to 2017-18 on the centres' on Regional Rural Banks (RRBs) and analyzed their branch expansion, deposits, advances, and profitability during the aforementioned period. with the objective is to gain insights into the growth and performance of RRBs. (Nandini et al., 2021) indicated an increasing demand for credit in rural areas for various purposes, which aligns with the observed trend of branch expansion.

In this regard, Regional Rural Banks (RRBs) have emerged as a vital player in the rural development of the Indian economy. (Tigari & Gaganadeepa, 2019) examined the rural credit structure and the role played by RRBs in the development of the rural economy. And focused on the loans and advances made by RRBs in the specific area of Pragathi Krishna Gramin Bank for the period of three years from 2015-16 to 2017-18 (Tigari & Gaganadeepa, 2019).

(Gautam & Kanoujiya, 2022) examined the impact of regional rural banks in India on digital literacy and rural development. and indicated that regional rural banks play a significant role in promoting digital literacy and rural development. And recommended that, regional rural banks and the government prioritize infrastructure development and digital literacy is the critical components of their financial inclusion activities. These measures are essential for fostering digital literacy, financial inclusion, and rural development, which, in turn, contribute to a robust economy and a high degree of digital literacy (Gautam & Kanoujiya, 2022).

(Scholar, 2015) conducted a systematic literature review on the evolution of mobile banking and its adoption across India. The Eleventh Five-Year Plan (2007-12) identified inclusive growth as a key objective and strategy for economic development. Financial inclusion aims to provide banking and financial services to all people in a fair, transparent, and equitable manner at an affordable cost. (Scholar, 2015) studied to understand the rural development taken by transacts and save money. India is currently recognized as an emerging country with a notable social banking program, making it imperative for Indian banks to provide financial support to marginalized sectors of society that are excluded from the traditional financial system, known as priority sectors. Additionally, these banks are also expected to offer mainstream banking services to non-priority sectors. In order for social banks to effectively fulfill their ethical and social responsibilities, as well as thrive in the contemporary business environment, it is crucial for them to operate with maximum efficiency in both dimensions of their banking activities (Martínez-Campillo et al., 2020). While the financial efficiency of Indian banks is well-documented, there has been a lack of research evaluating their ability to achieve both social and financial goals. To address this gap, our study employs an innovative Network Slack-Based Data Envelopment Analysis (DEA) model to assess the efficiency of Indian public banks in providing credit to both priority and non-priority sectors. Furthermore, (Martínez-Campillo et al., 2020) investigated the key factors that influence bank efficiency and indicated that Indian public banks have performed relatively well in both social and financial activities, with social efficiency slightly surpassing financial efficiency.

Conclusion

Regional rural banks (RRBs) play a pivotal role in the development of rural areas, which constitute two-thirds of the population in India. RRBs provide timely credit and other necessary assistance to the rural population. The success of rural finance is primarily contingent upon the financial strength and capability. RRBs are the most crucial financial institutions at the rural level, assuming the responsibility of meeting the credit requirements of rural areas. Moreover, their commitment to lending to priority sectors has not hindered their profit-seeking objectives in mainstream banking services. The determinants of social and financial efficiency are influenced by various factors, including regional wealth, bank size, branch networks, and rural location.

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ABOUT THE AUTHORS

Md. Ammar, *is a Research Scholar, (Department of Commerce), Multanimal Modi College, Modinagar, CCSU, Meerut, Uttar Pradesh, India. He has participated in national and international level seminars and workshops.*

Dr. Himanshu Kumar Pandey *is a Research guide and Assistant Professor (Department of Commerce), Multanimal Modi College CCSU, Meerut, Uttar Pradesh, India. He has participated in national and international level seminars and workshops. He has published many articles in national and international journals.*

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