

Role of Baroda Rajasthan Kshatriya Gramin Bank in Rural Finance in Rajasthan

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Abstract

Agriculture has been an essential occupation for people in India since the beginning of time, and the contribution that it has made to the economy of India has been spectacular throughout the course of the years. In addition, agriculture is a significant source of employment for a significant portion of the people in India, both in rural regions and through agro-based industries. Various industries spread to various regions. The poor development that has been made in rural regions is a reflection of the issues that are hurting agriculture. The health of rural communities is directly proportional to the strength of their agricultural sector. Despite the fact that a significant number of programs have been implemented in order to speed up the advancement in the field of agriculture, there are still a great deal of problems that are negatively impacting agriculture that have not been addressed. There are a lot of households in rural regions that are unable to get their fair share of government assistance because they have a low income base. The purpose of this research paper is to evaluate the performance of regional rural banks in providing agricultural finance through sample respondents and to develop a package of measures for the effective and efficient performance of Baroda Rajasthan Kshatriya Gramin Bank. The paper also evaluates the current problems that are preventing the progress of agriculture and the measures that are being taken to address those problems.

Keywords: Baroda Rajasthan Kshatriya Gramin Bank, Rural Finance, Agricultural Credit, Employment

1. Introduction

The agricultural industry is the most important contributor to the Indian economy. There is no way that any analysis of the Indian economy could ever afford to overlook the agriculture sector. This profession, which dates back to the time of the civilization that flourished in the Indus Valley, is the most important task that the people of India perform (Kannan and Panneerselvam 2013). The agricultural sector is responsible for providing a significant portion of the rural population with employment opportunities as well as food and raw materials (Assvani, 2019). Changes in agricultural development impact almost every economic activity. The improvement of living circumstances and quality of life for those who rely on agricultural regions is the primary goal of agricultural development (Goenka, 2017).

1.1 Background and Importance of Baroda Kshatriya Gramin Bank

The structure and behavior of agriculture undergo continual change as it undergoes continuous and dynamic growth. An improvement in the standard of living, or per capita income, is the first step toward a more developed agricultural sector. The general quality of life improves as a result of developments in areas such as education, healthcare, housing, and general health and wellness (Balamuniswamy and Erraiah 2013). Additionally, revenue rises in tandem with food grain output. With the help of modern technologies, farmers may adopt more efficient practices. Meeting the challenge of rising food demand, earning foreign cash, giving workers to the manufacturing sector, promoting capital formation and industrial expansion, and many other ways are all ways in which agricultural development contributes significantly to a nation's development (Devi, 2014). However, raising agricultural output and productivity is agriculture's most critical contribution to economic growth as a whole (Jindal et al., 2014).

The quantity and quality of the inputs that are utilized, as well as the manner in which they are employed, are the primary factors that determine the level of agricultural production. Land, labor, and financial resources are the three resources that are considered to be the most significant inputs for cultivation. The expansion of irrigation resources is an essential component in the growth of agricultural practices (Dangwal and Kapoor 2010). In Rajasthan, the RRBs have been in operation for a considerable amount of time—nearly more than forty-two years. The promotion of the agriculture sector has been the primary motive for the establishment of these organizations (Soni and Kapre 2013).

1.2 Profile of Baroda Rajasthan Kshatriya Gramin Bank

On January 1, 2013, three regional rural banks Haroti Kshetriya Gramin Bank, Baroda Rajasthan Gramin Bank, and Rajasthan Gramin Bank merged to form the Baroda Rajasthan Kshetriya Gramin Bank (BRKGB). Punjab National Bank funded the latter two institutions, whereas the Central Bank of India sponsored the first two. This merger was sponsored by the Bank of Baroda. As a result of the merger, the combined bank will be stronger and better able to provide to clients in the agricultural and non-agricultural industries. Effectively and make a larger contribution to the area's economic growth. The bank's operations region expanded to 21 districts in the eastern and northern parts of Rajasthan state as a result of the merger (Kannan et al., 2012). The bank has 880 branches, 1 Extension Counter, 5518 active Bank Mitra, and Rs 46627 Crore in business (31.03.2023). All bank branches use Core Banking Solution. The Bank serves all sectors in its region of operation with customer-friendly Deposit Schemes, Micro Finance, Kisan Credit Cards, General Credit Cards, SME Finance, and Non-Farm Sector services. Customers at all branches can use NEFT and RTGS. Online banking is offered at all branches. Internet Banking, Mobile Banking, IMPS, RuPay Debit Card, RuPay Kisan Card, AEPS, CTS, ECS, and more are available from the bank. Bank has life and general insurance contract with corporate insurance agency.

The bank has its main office in Ajmer City and nine branch offices across the state. This allows for efficient control and management, proper decentralization, the timely approval and monitoring of loans for those in need, and the prompt resolution of operational issues and customer complaints. The bank's

operations cover almost a third of Rajasthan state, making it a pioneer in meeting the needs and aspirations of the region's farming community, business class, professionals, self-employed people, and rural artisans involved in cottage and small industries (Misra, 2006). The agricultural sector must also be able to provide job opportunities for the expanding labor population in rural regions. A surplus of labor is created as a result of technological advancements in agriculture, which contribute to the growth of industry. The growth of agriculture further results not only in the transfer of labor but also in the transfer of food that is produced. One of the fundamental characteristics of economic progress is the ability to do so (Nair and Thirumal 2012). On the other hand, there is a requirement for an increase in agricultural output per acre per person, which necessitates substantial investments such as public investments in transportation, irrigation facilities, fertilizer factories, agriculture research and development, private investors in the agricultural field, and the government for the purpose of formulating policies regarding the development of agriculture (Mohindra and Kaur 2011).

➤ ***Key highlights of Baroda Rajasthan KshetriyaGramin Bank***

- Baroda Rajasthan KshetriyaGramin Bank (BRKGB) is the biggest bank, then Rajasthan MarudhraGramin Bank (RMGB).
- The Baroda Rajasthan KshetriyaGramin Bank (BRKGB) provided the highest lending rates in Rajasthan.
- The Baroda Rajasthan KshetriyaGramin Bank (BRKGB) received and accepted the highest deposit.
- In comparison to other RRBs, Baroda Rajasthan Kshatriya Gramin Bank (BRKGB) disbursed the highest amount of loans.
- The Baroda Rajasthan KshetriyaGramin Bank (BRKGB) comes out on top. RMGB is the other bank in Rajasthan that follows this trend.

1.3 Contribution to Rural Development in Rajasthan

The Industrial Sector in Rajasthan accounted for 29.09% of Gross Value Added at Constant Prices (2011-12) and 26.89% at current prices in 2016-17. The Industrial sector encompasses various industries such as Mining, Manufacturing, construction, electricity, gas and water supply. The majority of Rajasthan's population lives in rural regions and the state is mostly an agricultural state. It is essential for RRBs to play a significant part in agricultural finance. Rural banks were founded in response to a September 26, 1975, law that mandated their establishment in order to facilitate the provision of suitable institutional credit to agricultural and other rural areas (Pati, 2005). Loans and advances given out by RRBs are mostly used by small and marginal farmers, agricultural workers, and rural artisans. These funds are mainly collected from rural and semi-urban regions. The Central Government of India, affiliated state governments, and sponsor banks all have an equal stake in Regional Rural Banks (RRBs). Each owner receives half, fifteen percent, and thirty-five percent of the issued capital of an RRB, according to Reddy (2006). The first rural bank opened its doors to customers on October 2, 1975. It was at this point that work on RRBs began. In 2004, the Vyas Committee recommended that the Government of India begin structurally consolidating RRBs by merging them into a single bank sponsored by the same bank (Sharma, 2019).

2. Literature Review

There have been a significant number of studies conducted in India and other countries to investigate the supply response in the agricultural sector. The present evaluation summarises previous research on the topic of regional rural banks' contributions to agricultural growth. In its groundbreaking report on the challenges and opportunities facing India's agricultural sector, the Royal Commission on Agriculture lays out the several factors that contributed to the country's agricultural backwardness. In addition, suggestions for improving the agricultural situation have also been taken into consideration. The reviews that are relevant are as follows:

Dash et al. (2020) have investigated the expansion of rural banking across the years 1975 to 2002, as well as its dispersion among countries. During the era of social and development banking, Chavan's research establishes that traditionally underprivileged regions in eastern, northeastern, and central India were given opportunity. The east and northeastern states of India had the steepest decline in the ratio of rural branches to rural credit deposits in the 1990s, reversing recent gains. Regional discrepancies in rural banking in India have been brought to light as a result of legislation pertaining to financial liberalization.

Chakrabarti (2013) investigates the RRBs' overall factor production as a whole. Both economically established banks and locations with a lower banking density had much greater rates of productivity growth, as proven by this study.

Barman (2016) investigated the financial performance of commercial banks via the use of research. Researchers looked at 19 different commercial banks' bottom lines using eight different criteria. They then placed the institutions into four categories: excellent, good, fair, and bad.

Kumar (2013) provides an explanation of the fact that a variety of financial institutions in India are now active in the field of rural lending. RRBs, which stand for regional rural banks, are among the most renowned of these organizations. In order for the rural economy to be able to supply the essential inputs to the larger economy, the concept was to provide effective service in rural regions.

Teli and Mahajan (2017) stated that the VidarbhaKonkanGramin Bank (VKGB) has a lower level of productivity when compared to the Maharashtra Gramin Bank (MGB), which is the largest bank in Maharashtra in terms of district coverage and branch network.

Hadi (2004) reported that RRBs have been playing an important part in the field of rural development, according to the findings of a research that was done with the intention of examining the role that RRBs play in the process of economic growth. In addition, RRBs were seen to be more effective than commercial banks when it came to the distribution of loans to rural borrowers.

Barot and Japee (2021) conducted an insightful analysis on the performance of RRBs and their future prospects. In addition to this, they provided a comparative analysis of the performance of cooperative banks, commercial banks, and RRBs in a particular region in terms of deposits, branch extension, and credit operations. For many researchers working in the subject of rural lending, this was a revelation that opened their eyes.

3. Objectives of the Study

1. To examine the role of Baroda Rajasthan Kshatriya Gramin Bank in Rural Finance in Rajasthan.
2. To investigate the Baroda Rajasthan Kshatriya Gramin Bank to improve the quality of life for rural residents.
3. To assess how the Baroda Rajasthan Kshatriya Gramin Bank has enhanced the availability of financing for rural regions.
4. To evaluate the performance of Regional Rural Banks in providing agricultural finance through sample respondents and to develop a package of measures for the effective and efficient performance of Baroda Rajasthan Kshatriya Gramin Bank.

4. Research Methodology

A comprehensive and systematic methodology was used to study Baroda Rajasthan KshetriyaGramin Bank's rural financing function in Rajasthan. A descriptive study design was used to assess and characterize the bank's rural finance activities. Structured questionnaires were used to obtain quantitative data on bank customers' awareness, accessibility, and satisfaction. To understand how the bank affects rural finance, bank staff and rural inhabitants were interviewed in-depth. Rural Rajasthan was sampled using stratified random sampling to reflect diverse demographics and areas. The research sought to examine the bank's involvement in rural financing and suggest reforms and policies.

➤ Research Design

A small number of people now own the vast majority of the world's wealth, and this is all down to a certain group of banks. Important economic sectors, such as agriculture, were severely underserved by institutional lenders throughout the renationalization era. Following their nationalization, banks began lending to the key priority sector. The five-year span from 2012 to 2017 is broadly included by the study.

➤ Area of Study

The performance of RRBs in Rajasthan constituted the basis for the study. The inclusion of the state of Rajasthan in the study is therefore necessary in order to accomplish the goals of the study. Secondary data on the financial performance of RRBs in Rajasthan was collected using 2018 as the reference year. Throughout this procedure, important performance indicators have been utilized to conduct the comparison analysis of RRBs in Rajasthan. Analytical Methods Used. A key performance indicator study was conducted to compare the financial performance of regional rural banks.

➤ Data Collection

This assessment relied primarily on two methods: the majority of the evaluation and research carried out by academics in the field of rural banking scheme (including annuals and monthly reports), and the majority of the research that was conducted. In the second step of the process, a comprehensive questionnaire was developed and distributed to a large number of farmers who were determined at random.

Interviews were also carried out in order to supplement the information obtained from the questionnaire. The purpose of this approach was to collect qualitative and quantitative data about situations that have been going on for a long time and then to test those data using statistical methods.

There were 220 farmers who were chosen at random to receive the questionnaire on their behalf. For the purpose of the study, the production of the farmers is evaluated based on their capacity to get sufficient credit. The scholar carried out a study taking place at the field level that lasted for around two weeks. During the course of the field inquiry, there would have been very few challenges faced. It is essential to conduct research studies in order to evaluate the financial performance in the state of Rajasthan. When it comes to the efforts that policy makers in Rajasthan are making to improve the functioning of RRBs, the conclusions and findings of the current study give important information.

5. Results

The use of loans is considered to be a suitable basis for evaluating the influence that bank loans have on agricultural production.

The sample borrowers who were evaluated were asked to describe the amount of working capital that they had received as a loan from formal institutions and how these loans had helped them boost agricultural output. This is due to the fact that raw materials bought on credit are not commonly considered to be loans. Table 1, which gives the findings of the survey that was conducted for the project, makes it possible to more accurately evaluate the impact of the bank loan. According to the responses of the respondents, the majority of the samples that were given credits were not sufficient to purchase agricultural inputs. In spite of this, the farmers who were able to attain higher levels of agricultural output were those who had a higher level of education and were large-scale rural farmers who were able to obtain substantial amounts of credit. Because education is now a factor in determining production and the capacity to obtain a bank loan, this discovery is both highly relevant and quite fascinating.

Moreover, Table 2 illustrates the relationship between the magnitude of the loan and the increase in agricultural output. There were about 55.8% of farmers who got bank loans who stated that the loan did not enhance their produce, whereas there were only 46.9% of farmers who stated that the loan did boost their productivity. In addition, the table illustrates the reliance of small farmers on institutional loans as a means of enhancing their output on the market. The level of dependency was reduced when compared to farms operating on a large scale.

Table 1: A Relationship between Loans, Productivity on Farms, and Rural Banks

Farm Size	Adequate	%	Fairly Adequate	%	Not Adequate	%	Total	%Total
Small scale	10	5.8	50	24.3	80	45.5	150	72.3

Large scale	15	4.9	25	8.2	25	12.6	50	26.9
Total	20	10.5	65	32.7	120	53.6	210	100%

It may be concluded that the Chi-Square coefficient is not significant. As a result, it is clear that the formation of rural banks has not made a significant contribution to the growth of agriculture as governments had planned. An earlier portion of this article provided some potential explanations for this outcome. Based on the findings of the survey, it can be concluded that the size of loans does not significantly contribute to the growth of agriculture, particularly among small farmers. It is possible to get a more accurate assessment of the impact that collateral has on the rural lending market by looking. The necessity of collateral was cited as a barrier to loan acquisition by the farmers who were interviewed. Thirteen percent of the sample ascribed their failure to secure credit to the absence of any factor, while the closeness of the bank to the site of the farm was also a significant barrier, accounting for around twenty-six percent of the sample.

Table 2: Results of a statistical analysis relating the size of loans to agricultural development

Farm Size	Yes	%	No	%	Total	%
Small scale	60	30.2	90	42.3	150	75.6
Large scale	30	14.5	20	10.5	50	25.6
Total	100	46.7	120	55.6	230	100

This result, which is consistent with the findings of other research, came to the conclusion that banks should not need collateral in order to provide loans to small-scale farmers in rural areas. In order to better serve their customers in rural areas, financial institutions ought to be able to relocate their services to rural areas. In conclusion, the research demonstrates that credit plays a significant role in agricultural growth and reveals that collateral has a negative feedback impact on agricultural output as a result of credit limits.

6. Conclusion

According to the findings of the study, rural banks have a detrimental effect on agricultural production and development. Rural banks have been successful in meeting the need for monetization in rural communities. On the other hand, they failed to provide adequate credit for the rural farmers to buy needed implements and seeds and accumulate capital. As a result, the findings of this study indicate that money has been moving from rural regions to urban areas, which has resulted in a failure to mobilize the portion of rural savings that need to be kept within rural communities for the purpose of agricultural

transformation. Credit was identified as a significant factor for agricultural development. The current nature, methods of operation, and attitude of rural banks likely explain why there is no substantial correlation between agricultural development and loans. The conclusion of the study was that the Central Bank's suggestion to expand or open more of the same banks is not a plausible solution. Instead, the study went on to specify that the new types of credit institutions that are suitable for the rural environment are prototypes of Gramin Bank or non-institutional organizations with a relaxed rate of interest. Having considered all factors, summarize by stating that agricultural underdevelopment is a result of inadequate credit facilities, banks' modes of operation, and factors that discriminate against and alienate rural small-scale farmers.

7. References

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