



ROLE OF BANKING SECTOR IN THE DEVELOPMENT OF RURAL AREA



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ABSTRACT

Most of the population in India lives in rural area. They are away from the banking services. Therefore India has adopted a multi pronged approach towards financial inclusion as has been the case in several other countries. Though the term financial inclusion is of recent origin, the efforts to bring the poorer and weaker segments of the society within the fold of the formal banking system were initiated both by the Reserve Bank and the Government. Importance of rural banking has been recognized by the country's planners and policy makers since independence. All India Rural Credit Survey and All India Rural Credit Review paved the way for commercial banks entering into rural banking in a big way. We have discussed institutional rural banking we have concentrated on the new emphasis given to rural banking in the last few years introducing the concept of inclusive banking. Some of the issues emerging from several studies have also been presented. As it appears, demand for credit has increased in the rural areas for production and also for consumption purposes. Rural banking is graduating to be an attractive proposition for commercial banks. Commercial banks face

high transaction cost in their rural branches. The problematic issues in rural banking of commercial banks are lack of infrastructure, reluctance of staff to serve in remote rural areas, large number of accounts dealing in small amounts, difficulty in getting financial information on rural borrowers leading to some amount of uncertainty in the minds of the bankers and lack of security for carrying cash in remote areas by mobile banking.

KEYWORDS: Rural Banking, Financial Inclusion, Rural Development, Regional Rural Banks
