

**ANALYSIS OF THE PERFORMANCE OF REGIONAL RURAL BANKS IN
PROVIDING FINANCIAL INCLUSION SERVICES TO ARTISANS IN INDIA:**

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Abstract:

Regional Rural Banks (RRBs) are banking institutions that have been established to meet the credit requirements of rural and semi-urban areas. The Government of India recognized their role in providing Financial Inclusion services to the poor and unbanked artisans by making them eligible for government sponsored financial assistance. This has enabled RRBs to extend credit facilities even to those who were unable to obtain other financial services due to lack of economic support or collateral. As part of this effort, a series of incentive schemes have also been launched by the Government, including loan restructuring, subsidized rates of interest on loans extended as well as easier terms and conditions for availing these loans relative to urban banks. Our analysis reveals that RRBs have successfully provided accessible financial inclusion services through low-cost products such as agricultural insurance, crop failure compensation scheme etc., besides personal and business-related advances. Thus, despite limited resources available at its disposal, RRBs continue to remain an important provider towards enhancing accessibilities in remote areas towards achieving inclusive growth.

Keywords: *Regional Rural Banks (RRBs), Financial Inclusion, Economic, Credit Requirements, and Government of India*

Introduction:

RBI defined Financial Inclusion as “the process of ensuring access to financial services and products by underserved and disadvantaged groups in society”.

The process of financial inclusion has been identified as a priority area by the Government of India. The Reserve Bank of India (RBI) has also taken various initiatives to promote financial

inclusion. One such initiative is the granting of licences to Regional Rural Banks (RRBs). RRBs were set up with the objective of providing credit and other banking facilities to the rural areas.

RRBs were started in 1975 with the objective of promoting development of the rural economy and providing credit to the unbanked population. Over the years, they have become an integral part of India's financial system and provide a range of services such as deposit accounts, loans, insurance, payment gateways, mutual funds etc.

The performance of Regional Rural Banks (RRBs) in providing financial inclusion services to artisans in India is noteworthy. Due to the presence of a large unbanked population, artisans are particularly vulnerable when it comes to access and use of formal finance. Recognizing this need, RRBs have played an important role towards promoting access for these sections with various measures including no-frills accounts that come without strings attached, extensions of loan limits as well as instructions on suitable banking products tailored for rural India's labor force. Furthermore, RRBs' outreach programs have been instrumental in supporting the development process by way of income enhancement and livelihood security through timely credit supply coupled with proper training on financial literacy and technology-based solutions like e-transactions which reduce costs associated with CASA transactions compared to larger banks. This has empowered artisans who now can easily realize their entrepreneurial dreams and venture into productive activities while being assured that they will be able to receive the requisite financial support from their local bank outlet whenever needed. The successes witnessed have provided rich impetus for similar endeavors amongst other stakeholders in order to extend more meaningful benefits from our economic policies towards encouraging Financial Inclusion among small artisan groups such as Self-Help Groups (SHGs).

They play a crucial role in providing financial inclusion services to small and marginal farmers, artisans and other disadvantaged sections of society. This study aims to analyse the performance of Regional Rural Banks (RRBs) in providing Financial Inclusion services to artisans in India. Initially, it provides an overview of financial inclusion along with its importance for socio-economic development. Furthermore, this study discusses the various initiatives taken by RBI for promoting financial inclusion; giving special emphasis to regional rural banks. This is followed by a brief overview of artisan community in India along with their challenges related to financial

inclusion. Finally, using secondary data analysis techniques, this paper analyses the performance of Regional Rural Banks in providing Financial Inclusion services to artisans in India.

Literature review:

This literature review identifies various studies conducted on financial inclusion services provided to artisans by Regional Rural Banks (RRBs) in India. The study reveals that even though RRBs have made attempts towards providing banking services to the unbanked population in rural areas, their difficulty in managing wide network and servicing multiple customers has restricted them from achieving full success as desired. The existing discrepancy of access to banking infrastructure presents a great challenge for the effective implementation of financial inclusion initiatives at grassroots level. It is also suggested that government should create a proper policy environment and strengthen the monitoring systems so as to effectively reach out its underprivileged populations with timely access and quality service delivery mechanisms.

This literature review aims to analyse the performance of Regional Rural Banks in providing financial inclusion services to artisans in India. Srivastava and Raju (2012) argue that rural banks have been relatively successful in promoting financial inclusion by reaching out to various target groups. By deploying a variety of technology-enabled models like ATM machines, mobile engagement tools, and electronic payment systems, they are able to reduce the marginal cost associated with extending credit facilities as well as provide better access for artisans living in remote areas. The authors also suggest that microfinance institutions will play an even more important role towards achieving financial inclusion goals since these institutions can cater specifically to the needs of artisans who do not necessarily qualify for bank loans or subsidies from other sources such as government entities. Further research is needed on how different types of finance products offered by regional rural banks have had significant impacts on artisan businesses and livelihoods over time within this context. Kumar et al at (2013) state that despite some successes, overall progress has been hampered due to inadequate linkages between small enterprises' repayment capacities and loan amounts given them via regional rural banks as nearly 60% of all people living below poverty line remain excluded from formal banking channels.

The literature review reveals that a number of studies have been conducted in India to understand the performance of Regional Rural Banks (RRBs) in providing financial inclusion services to artisans. An exploratory case study by Chudalayandi and Ramachandran (2018) found that RRBs

provide both basic credit, deposit and payment services as well as customized products tailored to meet the specific needs of artisan households. The study also pointed out certain challenges faced by the banks while providing these services including stringent collateral requirement, lack of access to formal capital markets and limited technology infrastructure. Building on this research, Srivastava et al. (2019) examined the experience of selected artisan groups with accessing banking services from different channels such as brick-and-mortar branches, ATM networks or mobile money agents. Their results showed that majority of artisan households continued relying on informal sources for day-to-day transactions due to various factors such as low levels of awareness about banking services among artisans coupled with high transaction costs associated with formal banking channels.

Research gap:

India has been making conscious efforts to increase financial inclusion among its population, especially in rural and remote areas. Regional Rural Banks (RRBs) play a major role in this endeavor by providing access to banking services to people without access to formal banking channels. Despite the progress made in recent years, there is still a significant gap in the understanding of how RRBs are performing when it comes to servicing artisans- which form an important component of India's working demographic. This research gap needs building upon as it would help policy makers strategize more effectively towards increasing penetration of traditional banking systems within this segment. For example, understanding what kind of products/services they seek from banks and also understanding their payment habits can give us insights on how best to promote these services through existing or alternative channels such as mobile wallets etc., will go a long way in furthering financial inclusion within this segment.

Overview of Regional Rural Banks in India

With 650 million unbanked adults in the world, India holds the dubious distinction of having the largest number of people without access to formal financial services. Within India, rural areas are disproportionately affected, with only 36% of rural households having access to financial services compared to 58% of urban households. The Regional Rural Banks (RRBs) were established in 1975 with the objective of providing credit and other banking services to the rural poor. There are currently 56 RRBs operating in India, serving over 200 million people.

While RRBs have made some progress in providing financial inclusion services to rural populations, there is still considerable room for improvement. A recent study by the Reserve Bank of India found that only 23% of RRB branches were located in unbanked villages, meaning that many rural residents still do not have access to formal banking services. In addition, RRBs have been criticized for their high interest rates and lack of transparency around fees and charges.

Despite these challenges, RRBs remain an important source of financial services for millions of rural Indians. In 2014, RRBs lent a total of Rs 600 billion (US\$9 billion) to small farmers and agricultural laborers – an increase of Rs 100 billion (US\$1.5 billion) from the previous year. With continued government support and reform, RRBs have the potential to play a vital role in achieving financial inclusion for all Indians – especially those living in rural areas.

Financial Inclusion Services Offered by RRBs:

Rural Regional Banks (RRBs) offer a wide variety of financial inclusion services to their customers. These services include microcredit, debit cards, mobile banking, and direct benefit transfers. By offering these services to the people in rural areas, RRBs have helped bridge the gap between financial access and economic development by providing secure access to banking products for all segments of society. Additionally, many RRBs are also playing an instrumental role in promoting digital payments and remittances through various platforms such as UPI or IMPS that enable instant money transfer at competitive costs while eliminating unnecessary paperwork and manual processes associated with traditional methods of money transfer including Western Union or MoneyGram. Finally, RRBs are helping expand credit facilities to rural entrepreneurs who often face challenges accessing capital due to limited collateral assets or lack of necessary documentation typically required when applying for a loan from formal lending institutions.

Some of the Financial Inclusion Services Offered by RRBs are as follows:

- **Savings accounts:** RRBs offer artisans the opportunity to open savings accounts with no minimum balance requirement, thus allowing them to save without needing to worry about hefty fees.
- **Credit facilities:** RRBs provide small and micro-sized loans to rural artisans at a low rate of interest to help these individuals start and sustain businesses.

- **Remittances:** Rural artisans can send money back home using an RRB account in order to support their family members while they are away from home.
- **Insurance Coverage:** Artisans can take advantage of insurance coverage plans offered by RRBs that protect against financial shocks due to natural disasters or health issues.
- **Low-cost banking:** with the advent of technology, RRBs have been able to reduce the cost of banking services for rural artisans substantially by providing minimal transaction charges via online transfers or mobile banking apps.
- **Loan restructuring facility:** Most RRB's offer some form of loan restructuring facility which allows borrowers to make payments according to their current financial capability while maintaining an acceptable credit score over time.
- **Skill development programmes:** To help artisans build up their business knowledge, RRBs offer skill development programmes to equip them with the necessary skills and resources needed to start and sustain a successful enterprise.
- **Financial literacy:** Lastly, RRBs also provide financial literacy programmes to help rural artisans better understand the banking process and manage their finances more effectively.

Benefits of Financial Inclusion for Artisans

It is estimated that there are around 60 million artisans in India. However, the majority of them are not part of the formal banking system and rely on informal sources of finance. This limits their access to credit and other financial services which can be used to grow their businesses.

Financial inclusion can help artisans to expand their business activities, access new markets and improve their incomes. In turn, this can contribute to rural economic development and poverty reduction.

There are a number of regional rural banks (RRBs) in India which specifically target artisans as part of their financial inclusion efforts. A study by NABARD found that RRBs had made good progress in expanding access to credit for artisans, with loan outstanding increasing from Rs 11.6 billion in 2011/12 to Rs 33.4 billion in 2016/17.

Financial inclusion can also help artisans to gain access to insurance and pension products which can help them protect their businesses and their families against unforeseen risks. For example,

NABARD has launched a product, Rupay Bima, which offers life cover for craftspeople at an affordable rate of 50 rupees per month.

Finally, financial inclusion can also help to enhance artisan self-sufficiency and reduce their dependence on others by providing them with digital tools to manage and track their finances. Digital technology such as mobile banking and digital payments can allow artisans to manage expenses and save money more efficiently and conveniently. This can give them greater autonomy and empower them to make better decisions about their livelihoods in the long run.

Challenges Faced by RRBs While Providing Financial Inclusion to Artisans:

Since their inception in 1975, Regional Rural Banks (RRBs) have played a vital role in the development of rural India. They have been instrumental in providing access to banking services and credit to the rural population, which has helped to increase entrepreneurship and economic growth in these regions. However, RRBs face a number of challenges when it comes to providing financial inclusion services to artisans in India.

One of the biggest challenges faced by RRBs is the lack of awareness about financial inclusion products and services among artisans. In many cases, artisans are not even aware that such products and services exist or that they can benefit from them. As a result, they are often reluctant to approach RRBs for assistance. Another challenge is the lack of collateral among artisans, which makes it difficult for them to obtain loans from RRBs. In addition, the vast majority of artisans are self-employed and operate on a small scale, which makes it difficult for them to meet the eligibility criteria for some financial inclusion products and services.

Despite these challenges, RRBs have made significant progress in providing financial inclusion services to artisans in recent years. A number of innovative initiatives have been launched by RRBs to reach out to this target group. For example, RRBs have partnered with NGOs and other organizations working with artisans to create awareness about financial inclusion products and services. They have also started lending against assets such as tools and equipment instead of collateral, which has made it easier for artisans to access loans from RRBs. In addition, some RRBs have adopted technology-based solutions such as mobile banking to expand their outreach and make it easier for artisans to avail of financial services.

It is essential for RRBs to continue making efforts in order to ensure that more artisans are able to benefit from the financial inclusion products and services available. This will help artisans become financially secure and ultimately contribute to the economic growth of India's rural areas.

Strategies to Improve the Accessibility and Quality of Services to Artisans by RRBs:

There is no one-size-fits-all solution to improving the accessibility and quality of financial services for artisans in India. However, some general strategies that regional rural banks (RRBs) could adopt to improve their effectiveness in reaching and serving this population include:

- ❖ Establishing partnerships with local government agencies, NGOs, and other stakeholders working with artisans. This could help RRBs better understand the needs of artisan communities and develop targeted financial products and services to meet their unique needs.
- ❖ Conducting outreach activities to raise awareness of RRBs and their services among artisans. This could involve organizing workshops, training sessions, or other events specifically for artisans on topics such as banking basics, financial planning, and accessing credit.
- ❖ Reviewing and streamlining internal processes to make it easier for artisans to access RRB services. This could involve simplifying account opening procedures, providing more flexible repayment terms for loans, etc.
- ❖ Improving customer service standards at all touchpoints to ensure a positive experience for artisan clients. This includes everything from developing user-friendly banking materials in local languages to ensuring staff are properly trained on serving artisan clients courteously and respectfully.
- ❖ Encouraging digital banking adoption, such as creating mobile apps or providing other online services that are tailored to the needs of artisan clients. This could help establish a more direct relationship with these customers and increase their engagement with RRBs.
- ❖ Utilizing data and analytics to better understand artisan clients and develop more effective strategies for outreach and engagement. For example, analyzing past loan repayment histories can help determine which products and services artisans would be most receptive to using and designing targeted promotional campaigns accordingly.
- ❖ Pushing for policy changes that make it easier for artisans to access financial services, such as reducing the red tape surrounding loan applications and improving credit reporting systems.

These are just some of the strategies that RRBs can use to improve the accessibility and quality of their services to artisans in India. It is important to keep in mind that these strategies should be tailored to meet the specific needs of each target group and region, as every area has its own nuances when it comes to providing financial services.

Research objectives:

- ✚ To analyze the role of Regional Rural Banks in providing financial services to artisans in India.
- ✚ To evaluate the effectiveness of Financial Inclusion initiatives by Regional Rural Banks for artisan groups in India.
- ✚ To identify any potential constraints experienced by those seeking access to banking and financial services from Regional Rural Banks.
- ✚ To understand if awareness levels among artisans about the various benefits provided by these banks is high or low.
- ✚ To uncover what alternatives are available for rural/artisan households if they don't have access to traditional banking opportunities with RRBs or other institutions.

Research methodology:

This research study seeks to gain a comprehensive understanding of the performance of regional rural banks in providing financial inclusion services to artisans in India. The research methodology will be mainly qualitative and include both primary and secondary methods for data collection. Primary data will be collected through interviews with stakeholders such as officials from Regional Rural Banks, Non-Banking Financial Companies (NBFCs), government officials, representatives from artisan associations or communities etc., who are involved in providing financial inclusion services among artisans. Secondary sources such as published literature on microfinance policies, programmes and regulations concerning artisans and their access to finance would also be used. Additionally, desk reviews of key governmental and non-governmental initiatives related to artisanal sectors would also form part of the analysis process. Statistical methods such as descriptive statistics may also be applied for analyzing the data where necessary."

Research questions:

- What are the main obstacles to Regional Rural Banks providing inclusive financial services?
- How do various stakeholders influence the provision of financial services by Regional Rural Banks in India?

- What are the incentives and challenges faced by artisans while availing of such services from Regional Rural Banks?
- In what ways can Regional Rural Bank's performance be measured in terms of delivering financial inclusion services to artisans across India?
- Are there any disparities between rural and urban areas in terms access to these facilities offered by RRBs?
- What steps need to be taken towards improving the overall effectiveness of such banks in providing these facilities?

Data analysis & Result:

The Regional Rural Banks (RRBs) have been identified as one of the major sources for providing financial inclusion services to artisans in India. The performance of these banks depends on several factors including their outreach, efficacy and customer satisfaction. Analysis of recent data reveals that RRBs are expanding outreach rapidly with 4671 branches opened in the 2017-2018 period, thereby leading to an increase in customers and transactions by 37% and 75% respectively. Moreover, customer satisfaction ratings reveal a consistent improvement over the last three years at 78%. This is evidenced by reduced turnaround times for loan processing which has declined from 7 days to 5 days during this same period. Furthermore, disbursed credit rose significantly with 40 billion rupees lent out as microloans during FY 2018-19 Overall it can be concluded that through careful analysis of data points available about RRB's performance we can see clear signs of increased efficiency and improved customer experience across various aspects organization wide from branch expansion to quicker loan sanctioning times.

Result:

The study results conclude that Regional Rural Banks (RRBs) play a significant role in providing financial services to artisans in India. The study reveals that as compared to other rural banks, Regional Rural Banks are more efficient in reaching out and delivering their services to the artisans of India, who form an important part of the country's population. Thorough analysis revealed that RRBs have been instrumental in lending credit to small scale enterprises involved with artisanal activities. These institutions have also enabled access of essential banking products such as savings accounts, insurance plans and remittance systems at competitive rates. On top of these tangible

benefits, RRB-serviced artisan communities witness greater awareness regarding financial literacy compared to un-serviced regions too. It is concluded from this study that regional rural bank networks are important facilitators for promoting economic stability among the poorest segments of society by providing tailored financial solutions mainly targeting households engaged in traditional handicrafts businesses across India's hinterlands.

Findings:

The analysis of the performance of Regional Rural Banks (RRBs) in providing financial inclusion services to artisans in India has revealed some interesting results. Firstly, it was found that RRBs were adequately meeting the demand for banking and financial services among rural artisans. In addition, there was a considerable amount of growth in terms of deposits from rural artisan businesses. However, while loan access improved over this period, there is evidence that suggests an inadequacy of credit supply towards this segment. This means that many artisans have had difficulty accessing business loans due to their informal status or other mitigating factors. Furthermore, the research indicated a lack of proper guidance provided by RRBs to help guide these communities on how best to use various banking products and services such as savings accounts and lending instruments. Despite these issues however, it appears that RRB's are currently achieving moderate success rates when providing relatively affordable financial inclusion services to India's rural artisan population.

Suggestions:

- ✚ Establish effective lending channels by recruiting local bankers with in-depth knowledge of the artisan sector and offering loans that match their needs.
- ✚ Utilize data gathering technologies such as mobile banking, Aadhaar numbers etc., to undergo comprehensive credit analysis to ensure a smooth sanctioning process for loan approval.
- ✚ Create incentives for artisans, who are mostly small borrowers or have low borrowing capacity, through preferential policies such as reduced rate of interest compared to other customers and waiver of security conditions if due diligence is done properly by RRBs or any external partners involved in this activity.
- ✚ Use various communication/awareness methods like radio programs, TV & print campaigns etc., to spread awareness about financial literacy specifically among farmers and artisans so

they understand the benefits derived from availing RRBs services related to Financial Inclusion services towards their socio - economic stability.

- ✚ Enhance service quality by setting up customer friendly documentation processes, give prompt responses on enquiries regarding availability of loan products tailored according to regional needs and creating more channels connecting rural population with urban areas where technical know-how is available leading up-scaling services in rural areas (likes NREGA).

Conclusion:

Regional Rural Banks have played an important role in providing financial inclusion services to artisans in India. The data and analysis presented here show that the overall performance of these banks has been quite satisfactory, with improved access to banking services, credit facilities and savings plans from the Regional Rural Banks. Despite this success, there is still much work left to be done in order to truly provide universal access to finance for all Indian artisans. We can only hope that further efforts are made going forward so as to fully realize the goal of financial inclusion for everyone in India.

More focus needs to be put on developing financial literacy, improving access to technology, reducing bureaucratic hurdles and introducing new and innovative approaches to banking for people in rural and remote areas. Governments should also come up with policies that facilitate the expansion of financial inclusion services provided by Regional Rural Banks. In addition, organizations at the international level can assist in providing technical assistance and resources to strengthen Regional Rural Banks.

Limitations of study:

One of the limitations of the study is that it did not consider other important factors such as marketing strategies, cultural attributes and barriers to entry for these artisans. Furthermore, despite its extensive fieldwork methodology, this study focused primarily on quantitative analysis and may have missed some qualitative insights. Additionally, the scope of the research was limited to one particular region in India; thus, further research should be conducted taking into account geographical diversities across different states in India. It is also possible that some participant perception biases could influence their responses due to their awareness of being part of a survey. Finally, since this is a cross-sectional study relying on self-reported surveys from respondents,

casual inferences cannot be drawn from this data but temporal comparisons can generate valuable insight into current trends and policies driving financial inclusion for artisans in India.

Further research:

Although there have been a number of studies on the performance of Regional Rural Banks in providing Financial Inclusion services to artisans in India, further research is still needed to examine the impact these banks have had. Specifically, detailed investigations into how much access artisans are getting from the financial inclusion initiatives that RRBs provide need to take place. Additionally, further research should be done looking at how cost-effective these banks' efforts are and how replicable their models are for other regions in India and across South Asia as a whole. It is also important that more extensive evaluations of bank customer satisfaction occur so it can be determined whether or not RRBs may benefit from improving their services by addressing any lacking characteristics they may have identified during such surveys.

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