

## Role of Rural Area in Development of Banking Sector for Future Scenario

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### *ABSTRACT*

One role of banks in rural development is to provide financing for the area to be developed. The banks will also provide financing for consumers looking to purchase homes in the area. Banks also have options for consumers to open savings and checking accounts, as well as other loan products. Rural development is mandatory for a country. First step towards is to inculcate the habit of investing & saving they should create awareness that why savings is important.

### **INTRODUCTION**

There is a positive correlation between infrastructure development & aggregate agricultural productivity. Rural infrastructure such as irrigation water shed development, electrification, roads, markets, credit institutions, agriculture research & extension etc together plays key role in determining the improvement of productivity. In the recent years, the development of roads connecting to villages is one of the positive factors which eventually blurring the rural and urban divides to a greater extent. A quite revolution is taking place in rural India where economic growth is not just creating the rich but also providing ample opportunities to serve the financially excluded. Rural Banking is now a large opportunity and will be captured those who remove the current barriers of profitable scale.

Rural financial services are the fastest growing segment on account of large untapped potential driven by the very low penetration in rural market. Today, only around 41% of rural

households have formal savings accounts and 20% alone have access to credit from banking system. Hitherto, major share of bank credit flow to farm sector that too production loans. The presence of increased middle income group in rural area demands credit facilities on par with Urban people and providing ample opportunities to the banks to extend credit to non farm sector also.

### **Economic Development - Role of Rural India**

India is known as country of villages and the agriculture and allied activities are the backbone for the economic development of the country. Agriculture Sector assumes vital importance since it provides livelihood to 3/4th of the country's population besides becoming significant source for raw material for many industries. Thus, agriculture is an important engine for economic growth of the country.

Agriculture is a tradition which has shaped the culture and economic life of the people and therefore will continue to be central to all strategies on planned socio economic development of the country.



## **Commodity Market :**

Commodity Market refers to markets that trade in primary rather than manufactured products. Soft commodities are agricultural products such as wheat, coffee, cocoa and sugar. Hard commodities are mined, such as (gold, rubber and oil). Investors access about 50 major commodity markets worldwide with purely financial transactions increasingly outnumbering physical trades in which goods are delivered. Futures contracts are the oldest way of investing in commodities. Futures are secured by physical assets. Commodity markets can include physical trading and derivatives trading using spot prices, forwards, futures, and options on futures. Farmers have used a simple form of derivative trading in the commodity market for centuries for price risk management.

A financial derivative is a financial instrument whose value is derived from a commodity termed an underlier. Derivatives are either exchange-traded or over-the-counter (OTC). An increasing number of derivatives are traded via clearing houses some with Central Counterparty Clearing, which provide clearing and settlement services on a futures exchange, as well as off-exchange in the OTC market.

Derivatives such as futures contracts, Swaps (1970s-), Exchange-traded Commodities (ETC) (2003-), forward contracts have become the primary trading instruments in commodity markets. Futures are traded on regulated commodities exchanges. Over-the-counter (OTC) contracts are "privately negotiated bilateral contracts entered into between the contracting parties directly"

### **Commercial banks as provider of finance to rural area:**

A "commercial bank" is what is commonly referred to as simply a "bank". The term "commercial" is used to distinguish it from an "investment bank," a type of financial services entity which, instead of lending money directly to a business, helps businesses raise money from other firms in the form of bonds (debt) or stock (equity). Commercial banks as provider of finance to rural area it will effect person's life in rural area.

The primary operations of banks include:

- Keeping money safe while also allowing withdrawals when needed

- Issuance of chequebooks so that bills can be paid and other kinds of payments can be delivered by post
- Provide personal loans, commercial loans, and mortgage loans (typically loans to purchase a home, property or business)
- Issuance of credit cards and processing of credit card transactions and billing
- Issuance of debit cards for use as a substitute for checks
- Allow financial transactions at branches or by using Automatic Teller Machines (ATMs)
- Provide wire transfers of funds and Electronic fund transfers between banks
- Facilitation of standing orders and direct debits, so payments for bills can be made automatically

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