



A Study On The Financial Performance Of Regional Rural Banks

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ABSTRACT

At present time, RRBs (Regional Rural Banks) plays a critical role in the growth of rural regions which basically consists of 2/3rd population in all over India. RRBs give facilities of timely credit and various essential services which needed for the assistance of the people of rural regions. The effectivity of rural finance highly relies on the finance potential and capability. At rural level, RRBs are the one of the most important and essential economic and financial organization which provides various useful facilities to the people of rural regions. This analysis and investigation is basically conducted on the basis of secondary source of information which was gathered from the yearly report of NABARD. So, it can be said that the economic and financial performances of RRBs has increased remarkably.

Keywords: Regional Rural Banks, Financial Performance, Rural Areas, NABARD.

I. INTRODUCTION

As per the report submitted by NABARD (2012), the unavailability of accessibility of fiscal facilities by the poor people is found as one of the crucial and serious limitation for including the backwards in the progression of inclusive growth. It is also proved that bank is emerged as one of the key factors in the economic growth. Under RRBs Act, 1976, RRBs were established in 1975 with a prior intention of acquiring enhancements in economy by giving timely credit and other various services specifically to small and marginal farmers, artisans, agricultural labors and small entrepreneurs or groups of low income in the society for the intention to accelerate trading of agriculture, commerce, industry and various effective activities in rural regions. As per Indian scenario, RRBs is not only link between the transforming housing products or small savings to well organized industrial investments but also act as the financial services and facilities providers to the non-banking areas of economy of India.

On the recommendation of the Vyas Committee in 2005 which was constituted in 2001 and suggested the reconstruction of the RRBs, the first stage of consolidation or merging or RRBs was done by merging 196 RRBs, for enhancing their operations to attain financial benefits and assure better control by giving suitable autonomy and to

take required solution for their queries like NPA, recovery performance, expansion of Branch etc. RRBs emerge as a key factor of financial or fiscal system of the rural regions. By observing the network of the RRBs, it can be ensure that transformation of household savings etc. from distant areas to wide industrial forms as capitalization can be succeed at comfortably.

As per the report of the banking commission (1972), the idea of setting up of rural banks in India. All over the journey of Regional Rural Banks in India started from year 1975 and the RRBs have become important part of the rural financial facilities to the rural masses by adding broad network of branches, modern approaches schemes etc. in various states of the nation. For smoother and better working of RRBs, several actions have been taken like as consultation with NABARD, state level merger of RRBs between specific state government and sponsor of merger wise banks in September 2005. As per the suggestion of Vyas committees, in 2004, merger of RRBs will bring the operational highs through enough control and services. The merger procedure includes of two stages. In the initial stage, the merger of all RRBs of sponsor banks to create a sole unit in that state whereas in the second stage, state level merger was completed.

In the course of 2005 to 2008, the first stages of the procedure of the merger were basically done between the sponsors bank of RRBs at state level. Under the chairmanship of Sardesai, in 2005, a committee was formed by RBI to investigate the influence of restricting the RRBs. As per this committee, Merger or amalgamation of RRBs is good decision of government to make the more effective and profitable economic and financial organization. In the last of sept, 2005, there were near about 196 RRBs which workings in 26 states across all over the 525 districts with solid and stable network of 14,494 branches. In 2008, just after the merger procedure of RRBs, the numbers of total RRBs were decreased from 196 to 88.

The second stage of the merger procedure was mainly begun in Oct, 2012. Earlier, a committee was constituted by the government under the chairmanship of Chakraborty. Their main work is to know the fiscal and financial strength of all the RRBs and had an objective to create some modern approaches or strategies to achieved CRAR of 9% till final deadline of March 2012. As per the suggestion of Chakraborty committee, near about 40 RRBs out of 82 in 21 states were recapitalized. It has also resulted in the ratio of the main share capital of RRBs as 50, 35 and 15 for central government, sponsor banks and state government respectively. The total number of RRBs became 56 after the completion of second state of merger; it covers near about 646 districts having 20905 branches till the end of March 2016. As we know that RRBs is having a crucial role in the growth of the economy and financial condition of rural regions (Khan, B.M, 2013). Moreover, several studies were done in the assessment of RRBs and determine that collective performance mainly resulted with their objectives and performance shown by RRBs. As per [18],with the passage of time, RRBs have gradually and significantly improved.

II. FINANCIAL PERFORMANCE OF REGIONAL RURAL BANKS

The development of the rural areas plays a crucial role in the social and economic growth of country as most of the population lives in rural regions. Economy of rural areas has makes a high impacts on all the financial activities in the country and it basically creates plenty of employments to many unskilled labor section people. Most of the rural peoples face plenty of difficulties in accessing finance from the fiscal organization and banks as they highly depend on domestic financers for their fiscal needs Exclusion of rural population issues in accessing finance for different purpose is highly essential for financial growth. In India, as per the suggestion of Banking Commission 1972, to initiate an secondary financial organization in order to give finance for rural organization. Consequently, RRBS were commenced as a special and separate financial organization for rural finance by the announcement of RRB Act of 1976.

The strategy behind the formation is to instruct the domestic experience and acquisition of rural issues with the properties of cooperatives and high resource base of commercial banks. As this modern development in the economic system of India can be looks like as a distinctive experiment in addition to a great experience in getting better the productivity of the tool of rural credit delivery system. RRBS were launched with the overview of growth of rural economy by giving credit and other services for the development of trade, industry, agriculture, commerce and many other effective activities in rural regions.

RRBs are approved to transact the business of banking as explained in the Banking Regulation Act 1956. Furthermore, RRBs are mainly designed for the financial institution basically managed under the direction of National Bank for agriculture and Rural Development (NABARD) and the sponsor banks, imparted in rural destinations with networks of number of branches giving services in several districts of the country. The basic reason to launched RRBS is to satisfy the demand and need of the finance in rural regions, mainly among the social and economic segments. RRBs have an emerged as a basic and essential part of the rural financial and economic system and also considering the main process in achieving banking services between the rural people. In Tamil Nadu, Pallavan Grama Bank and Pandian Grama Bank are bringing out the process of various banking services to the people in rural regions.

RRBs are generally considered as commercial banks but they are carrying out the works and function of cooperatives banks and gives services for the growth of the rural people. Because of its complex form, it is functioning under the supervision of two organizations that RBI and NABARD. RRBs accelerated the deposits mainly from the rural and backward regions and providing loans and advances mainly to the farmers, rural people in addition to the lower sections of the society. Furthermore, RRBS are more proficient and capable of loans to the rural people as compared to the commercial banks. With the assistance and support of the state government, domestic contribution

and involvement and proper services of loans and opening of urban branches are some essential measures that recommended to make RRBs. It is a general process of enough access to credit where needed by susceptible groups like weaker section and low-income groups. The GOI and Central Banks have been making intense efforts to improve banking habits and services as one of the significant countryside aims of the country by different measures.

The needs for the rural growth is essential to the deprived sections that generally do not have any access to the prepared financial system and also have an insufficient permit for the economic services and facilities.

III. LITERATURE REVIEW

There are several authors who studied about the various features of RRBs and determine various outcomes and identically quoted there are remarkable enhancements in the performance and RRBs will be way for effective and successive economy of India.

As per the determination of [5], In India, RRBs made a general and favorable standard in deposit mobilization, credit dispensation and most of the profit making at the time of period 2002-03 to 2004-05. As RRBs succeeded in proving better customer facilities by sustaining good infrastructure services. As Kher, B.M (2013), "The Role of Rural Banks in the

In 2014, [3] explained that the current study shows the performance in various capable areas of Andhra Pradesh Grameen Vikas Bank, it offers monetary support to the farmers and labors. Andhra Pradesh Grameen Vikas Bank attain the highest business standard of Rs. 10680 crores when compared it to all other RRRRBs in Andhra Pradesh during FY-2011-12. The Andhra Pradesh Grameen Vikas Bank has been consistently concentrating on the constant agricultural growth of Andhra Pradesh and make reach to every farmer and labors.

The importance of lending money and offer agricultural finance by the Regional Rural Banks was very important to the people living in rural areas as they highly depend on the informal sources of credit from the money lenders, landlords and traders, who took advantage from poor agricultural farmers and small businessman and opposed high rate on interest on them and forced the farmers to sell their land at low cost in place of return lend money. There are many challenges and difficulties faced by farmers associated with an unexpected production of crops due to excessive dependency on monsoon, Both less and more rain affect their crops badly and due to financial issue their production suffers a lot which lead to rural incompetence.

As per the [9] on the Performance Evaluation of Regional Rural Banks in India, This analysis determining that the performance of RRBs in India has consistently enhanced

over time, as several steps for their enhancement were launched by the GOI after the merger process

As per [4], The current paper has made an endeavor to consider three viewpoints. Particularly the development example of the Regional Rural Banks, the manner in which these banks loans and disseminate credit in the rural segment, and the difficulties they looked in their method of activity. India is nation, where limit of its populace is from rural regions, and these horticultural and provincial parts assume a critical job in India's general development and improvement procedure as far as salary and business age and neediness easing. It has been of extraordinary worry to the nation, and the Government of India with the assistance of the State Government and the supported banks built up the Regional Rural Banks, which can stretch out credit offices to the less advantaged individuals of the need division. The Regional Rural Banks have an uncommon job in receiving the multi-organization way to deal with give rural credit to the ranchers and the Agricultural workers in India. These banks are rural division situated, state-supported, and regionally-based who effectively partake in the credit loaning practice and credit stream to the horticultural area.

As per [11], The Regional Rural Banks of India are assuming a significant job in developing provincial India and have been taking an interest as a fundamental piece of the rural credit structure of the nation. The fundamental goal behind the foundation of the Regional Rural Banks in India was to give credit office to the provincial individuals of the need area, who are dismissed and not monetarily solid, and have no formal monetary organization who can help them in getting advances for agrarian purposes or to begin their business all alone, particularly the little ranchers, rural craftsman's farming workers and little business visionaries. This involves extraordinary worry as the positive job by these Regional Rural Banks can stop agriculturist's suicides, which has become a consuming issue in India. The explanation for these suicides are overabundance obligation, wrong seed flexibly, low harvest yield, nonattendance of water system offices, and ought to be comprehended that passing of agriculturist implies demise farming.

As per the study of [12] on A FINANCIAL INCLUSION THROUGH REGIONAL RURAL BANKS (RRBs) which was targeted to study the imparted of financial inclusion in India through RRBs and resulted of RRB which played a crucial role in financial inclusion in reality.

In 2013, [15], compared the intuition of customers for service quality of both private and public banks in India relied on the SERVQUAL range. Primary information was collected from 410 customers of the public and private sector banks in Lucknow city. The outcomes showed that some range of service quality such as factuality, dependability, responsiveness, awareness and assurance remarkably predict customer faith and commitment, and in comparison, private bank customers are more dedicate and pleased as they receive upgraded quality of service.

As per the [10] this study observes the literature and describes the connection between service quality and customer dedication and their effect in the banking sector. The review suggests that upgrade service quality should be embraced for contributing maximum satisfaction to the customer, this study also rendered towards the information and background for banks and gratification of customers.

In 2016, [6], conducted research showed that the motive of the research was to understand the customer's perception towards the private sector banks with respect to the service quality that is based on the primary information gathered from 300 respondents. This paper makes a significant contribution towards the service quality range factuality, dependability, assurance and awareness. This study also concluded that service quality differs from individual to individual and the banks require to conduct more researches in order to judge and consider service quality more strongly.

As per the study of [19] on "ROLE OF INDIAN REGIONAL RURAL BANKS (RRBs) in the Priority Sector Lending-An Analysis" the analysis was determined that the expenditure of short term loans for crops during the analysis time period are improving and it constituted a higher rate than that of term-loans. Also, the loans given by the RRBs to different groups in the priority sector exhibit an gradual increasing trend and pattern at the time of study time period.

As per the analysis of [18], the paper learns about the Regional Rural Banks that assumed a urgent job in the financial improvement of provincial India, these banks gave credit and account to the rural mass, who are not monetarily solid, however needs to win their work by going into business, or by agribusiness.

According to the [20], In the Banking sector, the current review deals with space in service qualities, after the nationalization of the private sector and public sector banks. A brief study has been completed regarding to it, by using five service quality dimensions, namely actuality, assurance, dependability and awareness. The study is based on Parasuraman's 22 items SERVQUAL range based on space mode, spaces were found between the anticipate service and performed facilities, the study concluded that the highest space was found in the dependability and awareness dimension, at last it also gives some suggestion to enhance on those components.

As per the theory of [8], He disclosed that feasibility of RRBs was basically relies upon the tactics of fund management, less margin between resource, The proportion of the establishment costs to overall cost and wide opening of branches were the crucial components which highly influenced their viability. As per the explanation of [17], the economic performance of RRBs in India exhibit the key performance which had to improve in field of deposit, number of branches, loans and advances which are growing steadily. The financial performance of RRBs has been consistently increased in every area.

IV. CONCLUSION

This analysis shows the review of prior investigation on the performance of RRBs in India. The analysis exhibit a summary of different analysis which was conducted on the performance of RRBs at the national level and also at various state levels. The determination of this analysis will assist in future investigations working on the performance of RRBs in India. The consistent growth and expansion of RRBs have supported in gradual decrement of the regional imbalances in field of banking facilities. These facilities basically extracted by the RRBs in deposit mobilization, branch network expansion, credit disbursal and rural growth evaluation among the weaker sections are really tremendous. RRBs satisfy its objective like providing banking facilities to lower sections, easy and less price of credit to lower sections and also endorsed rural savings for effective intention. It gives credit to the small and marginal farmers, artisans, socially and fiscally weaker section of people involved in agriculture, trade and industry. RRBs ensures high standard of transparency in their working which basically lead to better connection between the customer and the banker. RRBs are now focusing on the speedy, privacy and qualitative banking facilities to its customers which provide maximum satisfaction to them and it also reflect their fiscal position. The branch network of RRBs has been consistently increasing instead of it merger with sponsor banks. Furthermore, the basic and fundamental performance indicators of RRBs disclose satisfactory financial aspects in giving credit disbursements to the rural section. Moreover, the financial and fiscal performance of the RRBs is positively determined and it was concluded that the financial performance of RRBs is sufficient to give uninterrupted facilities to the rural regions.

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