A REVIEW ON REGIONAL RURAL BANKS OF INDIA: PERFORMANCE ANALYSIS WITH RESPECT TO TELANGANA STATE

Dhanraj.N
Research Scholar
Shri Jagdishprasad Jhabaramal Tibrewala University, Rajastan, churu Road.
nasadhanraj@ymail.com
+ 91 91391122617

Dr.R Sai kumar
Professor
Holly Mary Institute of Engineering and Technology, Bogaram, R.R.Dist ,
saikumar1966@gmail.com
+91 9985129129

ABSTRACT:
Regional Rural Banks are established under the provisions of an ordinance promulgated on the 26th September,1975 and the RRB Act, 1976 with an objective to ensure sufficient institutional credit for agriculture and other rural sectors. Reforms and mergers introduced by the government of India in consultation with Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD) in the years 1994-95 to 2005-06 have yielded positive results in respect of key performance indicators such as number of banks and branches, capital composition, deposits, loans, loans and the trend of investments. The objective of this paper isto investigates whether the merger/amalgamation of Regional Rural Banks in India, undertaken in 2005-06 has helped improve their performance. Several committees have emphasized the need to improve the performance of these banks which play an important role in the rural credit market in India. The study is diagnostic and exploratory in nature and makes use of secondary data. The study finds and concludes that performance of rural banks in India has significantly improved after amalgamation process which has been initiated by the Government of India.

Key words: Rural Credit Market, Performance, State Governments, Sponsor, Reserve Bank of India

INTRODUCTION

Banks play an important role in mobilization and allocation of resources in any country. Rural people in India are facing problems in the inadequate supply of credit. The major source of credit to rural households, particularly-low income working households, has been the informal sector. Informal sector advances loans at very high rates of interest; the terms and conditions attached to such loans have given rise to an elaborate structure of intimidation of both economic and non-economic conditions in rural population in India. RRBs were established in India in 1975 essentially for the purpose of taking banking service to the doorsteps of rural people, particularly in places without banking facilities. The objectives as given in the preamble of RRBs Act of 1976 were "to develop the rural economy in providing for the purpose of development of agriculture, trade commerce, industry and other productive activities n the rural areas, credit and other facilities particularly to the small and marginal farmers, agricultural laborers, artisans and small entrepreneurs and for matter connected therewith and incidental thereto "Several changes have taken place in the focus and operation of the Regional Rural Banks in the wake of financial sector reforms in India and various measures have been taken by the Government to improve the commercial viability of RRBs since 1994-95. So it has been considered appropriate to study the performance after amalgamation which took place in the year 2006.A study of the efficiency and its performance of the RRB are particularly important in the Indian context. The objective of this study is to analyze the performance of RRBs during pre and post-merger periods. The indicators selected to study the performance of the RRBs are number of RRBs and branches, geographical coverage, manpower deployment, capital funds, deposits mobilization, loans outstanding and investment made by the RRBs.

TELANGANA GRAMEENA BANK is set up with a mandate for facilitating credit flow for promotion and development of agriculture, small-scale industries, cottage and village industries, handicrafts and other rural crafts. It also has the mandate to support all other allied economic activities in rural areas, promote integrated and sustainable rural development and secure prosperity of rural areas ,to promote integrated and sustainable rural development and secure prosperity of rural areas. In discharging its role as a facilitator for rural prosperity. Providing refinance to lending institutions in rural areas. Bringing about or promoting institutional development.

"Agriculture is the backbone of the Indian Economy"- said Mahatma Gandhi six decades ago

Even today, the situation is still the same, with almost the entire economy being sustained by agriculture, which is the mainstay of the villages. It contributes 16% of the overall GDP and accounts for employment of approximately 52% of the Indian population. Rapid growth in agriculture is essential not only for self-reliance but also to earn valuable foreign exchange. Indian farmers are second to none in production and productivity despite of the fact that millions are marginal and small farmers. They adopt improved agriculture technology as efficiently as farmers in developed countries. It is felt that with provision of timely and adequate inputs such as fertilizers, seeds, pesticides and by making available affordable agricultural credit /crop insurance, Indian farmers are going to ensure food and nutritional security to the Nation. It is envisaged to make available relevant information and services to the farming community and private sector through the use of information and communication technologies, to supplement the existing delivery channels provided. This rural bank is an endeavor in this direction to create one stop shop for meeting all informational needs relating to Agriculture, Animal Husbandry and Fisheries sectors production, sale/storage of an Indian farmer.

2.0 LITERATURE REVIEW

The literature available in the working and performance of RRBs in India is a little limited. The literature obtained by investigators in the form of reports of various committees, commissions and working groups established by the Union Government, NABARD and Reserve Bank of India, the research studies, articles of researchers, bank officials, economists and the comments of economic analysts and news is briefly reviewed in this part.

NABARD (1986) published "A study on RRBs viability", which was conducted by Agriculture Finance Corporation in 1986 on behalf of NABARD. The study revealed that viability of RRBs was essentially dependent upon the fund management strategy, margin between resources mobility and their deployment and on the control exercised on current and future costs with advances. The proportion of the establishment costs to total cost and expansion of branches were the critical factors, which affected their viability. The study further concluded that RRBs incurred losses due to defects in their systems as such, there was need to rectify these and make them viable. The main suggestions of the study included improvement in the infrastructure facilities and opening of branches by commercial banks in such areas where RRBs were already in function. Naidu, L.K. (1998) conducted a study on RRBs taking a sample of 48 beneficiaries of rural artisans in Cuddapah district of Andhra Pradesh under Rayale Seen Gramin Bank. In this study, it was concluded that the beneficiaries were able to find an increase in their income because of the finance provided by the bank. Kalkundrickars (1990) in his study on "Performance and Growth of regional Rural Banks in Karnataka" found that these banks had benefited the beneficiaries in raising their income, productivity, employment and use of modern practices and rehabilitate rural artisans. Kumar Raj (1993) carried out a study on the topic "Growth and Performance of RRBs in Haryana". On the basis of the study of RRBs of Haryana, it is found that there was an enormous increase in deposits and outstanding advances. The researcher felt the need to increase the share capital and to ensure efficient us of distribution channels of finance to beneficiaries. A. K. Jai Prakash (1996) conducted a study with the objective of analyzing the role of RRBs in Economic Development and revealed that RRBs have been playing a vital role in the field of rural development. Moreover, RRBs were more efficient in disbursal of loans to the rural borrowers as compared to the commercial banks. Support from the state Governments, local participation, and proper supervision of loans and opening urban branches were some steps recommended to make RRBs further efficient. L.K Naidu (1998) conducted a study on RRBs taking a sample of 48 beneficiaries of rural artisans in Cuddapah district of Andhra Pradesh state under Rayale Seen Gramin Bank. In this study, it was concluded that the beneficiaries were able to find an increase in their income because of the finance provided by the bank. According to Nathan, Swami (2002), policies of current phase of financial liberalization have had an immediate, direct and dramatic effect on rural credit. There has been a contraction in rural banking in general and in priority sector ending and preferential lending to the poor in particular. Chavan and Pallavi (2004) have examined the growth and regional distribution of rural banking over the period 1975-2002. Chavan's paper documents the gains made by historical underprivileged region of east, northeast and central part of India during the period of social and development banking. These gains were reversed in the 1990s: cutbacks in rural branches in rural credit deposits ratios were the steepest in the eastern and northeastern states of India. Policies of financial liberalization have unmistakably worsened regional inequalities in rural banking in India. Professor Dilip Khankhoje and Dr. Milind Sathye (2008) have analyzed to measure the variation in the performance in terms of productive efficiency of RRBs in India and to assess if the efficiency of these institutions has increased post-restructuring in 1993-94 or not.

3.0 METHODOLOGY

The present study is diagnostic and exploratory in nature and makes use of secondary data. The relevant secondary data have been collected mainly through the data bases of Reserve Bank of India (RBI), National Bank for Agricultural and Rural Development (NABARD). The journals like the Banker and the Journal of Indian Institute of Bankers have also been referred. The study is confined only to the specific areas like number of branches, district coverage, deposits mobilized, credits and investments made by the Indian Regional Rural Banks (RRBs) for the eight years period starting from 2001-02 to the year 2008-09. In order to analyze the data and draw conclusions in this study, various statistical tools like's' test and ANOVA have been accomplished through EXCEL and SPSS Software.

4.0 RESULTS AND DISCUSSION

It is very clear from the table 1 that the number of RRBs decreased from 196 in the year 2001-02 to 86 in 2008-09. This was due to the amalgamation that took place in the year 2005-2006, covering 525 districts with a net work of 14,494 branches. However, the number of branches has been significantly increased from 14,390 in 2001-02 to 15,181 in 2008-09. The increase over the period was 1.05 time

Significant improvement in the performance of RRBs was witnessed over the period of study in terms of number of districts covered. RRBs covered 511 districts as on 31st March, 2002 increased to 616 as on 31st March, 2009. The increase over the period was 1.20 times. However, the human resources employed by RRBs have been considerably decreased year by year owing to the efficiency of the bank.

RRB' is showing considerable improvement in their credit and deposits performance. The deposits mobilized by the bank has been increased from Rs.44, 539 crore in the year 2001-02 to Rs.1, 20,189 crore in 2008-09. The increase over the period was 2.7 times. Loans outstanding of the RRBs also highlighted the significant improvement as it has been increased from Rs.18,629 crore in the year 2001-02 to Rs.67,802 crore is 2008-09. The increase over the period of the study was 3.6 times.

CONCLUSION

Indian banking has come a long way since from the British period. Since then the public sector banks continued to play a very prominent role in both deposit mobilization and credit disbursement even during the privatization era. They contribute about 75 per cent of the total deposits mobilised and total loans advanced by all the scheduled CBs. Though there are so many private banks who have been competing with the public sector banks, as we know whatever the better facilities provided by the private banks, one way or the other, the exploitation is more. Hence, we need to inject new policies and programmes to stabilize the existing public banking to achieve the maximum social welfare

BIBLIOGRAPHY:

1. Bhatt Nitin and Y. S. P. Thorat (2006). India's Regional Rural Banks: The Institutional Dimension of Reforms. Journal of Microfinance, 3 (1), pp: 65-94.
2. Bose Sukanya (2005). Regional Rural Banks: The Past and the Present Debate. Macro Scan, URL: http://www.macroscan.com/fet/jul05/ fet200705RRB_Debate.htm.
3. Gadgil M.V. (1992). Future of Institutional Agricultural Credit in India: Likely Impact of Narasimham and Khusro Committee Reports. Indian Journal of Agricultural Economics, 47 (2), pp: 255-65.
4. Kumar Rama and Pallavi Chavan (2008). Revival of Agricultural Credit in the 2000s: An Explanation. Economic and Political Weekly, XLII (52), pp: 57-60.
5. Mohan Jagan (2004): "Regional Rural Banks Need a Shot in the Arm", Financial Daily from the Hindu Group of Publications. March 19th Edition. NABARD, Annual Report, Various Issues. RBI, Annual Report and Report on Trends and Progress of Banking in India, Various Issues.
6. Sharma A.K. and Asha Upwanshi Wasewar (2009). Agriculture Credit: Organisation, Problems and Challenges in Inida. Asian Economic Review, 51 (2), pp: 291-310.
7. Sahu Gagan Bihari (2007). Supply Analysis of Institution Credit to Agriculture for Major States in India. Indian Journal of Agricultural Economics, 62(4), pp: 664-70.
8. Singh Surjeet (1990). Rural Credit: Issues for the Nineties. Economic and Political Weekly, 25 (46), pp: 2531-535.
9. Velayudham, T. K. and V. Sankaranarayanan (1990). Regional Rural Banks and Rural Credit: Some Issues. Economic and Political Weekly. 25(38), pp: 2157-2161.