

## PERFORMANCE EVALUATION OF REGIONAL RURAL BANKS (RRBS) IN RAJASTHAN

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### ABSTRACT

*Regional Rural Banks were set up under the arrangement of a statute proclaimed on the 26th September 1975 and the RRB Act, 1976 with a target to guarantee adequate institutional credit acknowledgment for farming and other provincial divisions. Regional rural banks play an important role in agriculture and rural development of Rajasthan. Regional rural banks have reached more in rural areas of Rajasthan through their vast network. The achievement of provincial credit in Rajasthan depends to a great extent on their money related quality. RRBs are the major financing institutions at the rural level; they pay special attention to the credit needs of small farmers, artisans and agricultural workers. Currently, most of the regional rural banks are confronting overdue, recovery, non-performing assets and other problems. In Rajasthan, two regional rural banks are functioning. Therefore, a comparative study of the financial performance of RRBs in Rajasthan is necessary. This paper attempts to analyze the comparison of financial performance of Regional Rural Banks in Rajasthan as on 31 March 2018. The study is based on secondary data collected from annual reports of NABARD, RBI and RRBs. An analytical research design of the main performance indicator analysis in the current study such as number of districts covered, branches, deposits, loans, investment, recovery and productivity. The study concludes that Baroda Rajasthan Kshatriya Gramin Bank (BRKGB) is the largest bank in Rajasthan in district coverage and branch network, but Rajasthan Marudhara Gramin Bank (RMGB) has lower productivity than Baroda Rajasthan Kshatriya Gramin Bank BRKGB.*

**KEYWORDS:** *Regional Rural Banks, Institutional Credit, NABARD, RBI, RRBs, RMGB, BRKGB.*

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### Introduction

Rajasthan is an agro-based state and its maximum population is in rural areas. RRBs have an important role in agricultural financing. Rural banks were set up under the provisions of an ordinance aimed at ensuring adequate institutional credit to agriculture and other rural areas on 26 September 1975 and the RRB Act, 1976. RRBs raise financial resources from rural / semi-urban areas and mostly provide loans and advances to small and marginal farmers, agricultural laborers and rural artisans. RRBs are jointly owned by GoI, the concerned State Government and Sponsor Banks; the issued capital of a RRB is shared by the owners in the proportion of 50 Percent, 15 Percent and 35 Percent respectively. RRBs began their development process on 2 October 1975 with the formation of a single bank, the first rural bank. The Government of India initiated the process of structural consolidation of RRBs by amalgamating RRBs by a single bank sponsored by the same bank as per the recommendations of the Vyas Committee (2004). The RRBs in Rajasthan have had a long standing of nearly more than Forty Two years. The main objective of these institutions has been to promote the agricultural sector. But as the time passed by them was made to accept the functions of sponsor, commercial and nationalized banks. RBI and

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NABARD ran a bailout program through sponsoring bankers. In addition, they were subject to amalgamation, which meant that 196 banks were reduced to 56 and 14 banks were reduced to 2 banks in Rajasthan itself. Currently there are two RRBs functioning in Rajasthan - Baroda Rajasthan Kshatriya Gramin Bank (BRKGB) and Rajasthan Marudhara Gramin Bank (RMGB).

### Review of Literature

Literature review is a study that consists of a collection of literature in a selected area of research in which the scholar has limited experience. In the past, various studies have been conducted by researchers related to the financial performance of Regional Rural Banks.

NABARD (1986) published "A study on RRBs viability", which was operated by the Agricultural Finance Corporation in 1986 on behalf of NABARD. The study revealed that the viability of RRBs was essentially dependent on fund management strategy, mobility of resources and margins between their deployment and control over current and future costs with advances. The ratio of total cost and establishment cost to expansion of branches were important factors, which affected their feasibility. The study further concluded that RRBs suffered damage due to defects in their systems, so there was a need to repair them and make them viable. The main suggestions of the study include improvement in infrastructure and opening of branches by commercial banks in areas where RRBs were already functioning.

In the year 1989 for the first time, the conceptualization of the entire structure of Regional Rural Banks was challenged by the Agricultural Credit Review Committee (Khusro Committee), which argued that these banks have no justifiable cause for continuance and recommended their mergers with sponsor banks. The committee was of the view that "the weaknesses of RRBs are endemic to the system and have created non-feasibility, and the only option was to merge RRBs with sponsor banks." The objective of effectively serving the weaker sections can only be achieved by self-sufficient credit institutions. "

**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. In addition, RRBs were more efficient in disbursing loans to rural borrowers than commercial banks.

**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: the reduction in rural branches to rural credit deposit ratio was the most stringent in the eastern and northeastern states of India. Financial liberalization policies have exposed regional disparities in rural banking in India.

**Reddy A. Amarender (March 2006)** examines the total factor productivity of RRBs. It demonstrated significantly higher productivity growth in economically developed banks as well as areas of lower banking density.

**R.C. Dangwal and Reetu Kapoor (2010)** conducted a study on financial performance of commercial banks. In this study they compared the financial performance of 19 commercial banks with respect to eight parameters and they classified the banks as excellent, good, fair and poor categories.

**Pati A.P. (June 2010)** explains that in India an array of financial institutions are operating in the area of rural financing. Regional Rural Banks (RRBs) are prominent among those institutions. The idea was to provide efficient service in rural areas so that the rural economy could provide the necessary inputs to the overall economy.

**S. C. The Copra (November 2017)** study concludes that Maharashtra Gramin Bank (MGB) is the largest bank in Maharashtra in district coverage and branch network but Vidarbha Konkan Gramin Bank VKGB has lower productivity as compared to Maharashtra Gramin Bank MGB.

### Objectives of the Study

- To comparative study of Regional Rural Banks in Rajasthan.
- To analyze the key performance indicators of regional rural banks in Rajasthan.
- To measure financial performance of RRBs in Rajasthan.
- Provide helpful suggestions to improve tasks based on conclusions.

- **Problems of Study**  
First and important problem of the research work is analysis of financial data.
  - It was difficult to get information from RRBs in Rajasthan as it is a government organization and members were not willing to provide information.
  - Frequently traveled to collect data to RRB
- **Significance of Study**  
Research study is important for evaluating the financial performance of RRBs in Rajasthan. The results / findings of the present study are useful to policy planners in their efforts to improve the functioning of RRBs in Rajasthan.
- **Scope and Limitations of Study**
  - The study is consider only financial analysis factor other factors ignored
  - The study covers a specific period of 2018.
  - Findings may not always be relevant to other district in the state / country
- **Area of Study**  
The study is based on the performance of RRBs in Rajasthan. Therefore, the state of Rajasthan is included in the study to serve the objectives of the study.
- **Period of Study**  
For collection of the secondary data on financial performance of the RRBs in Rajasthan year 2018 was taken as the reference period.
- **Research Methods**  
The comparative analysis of RRBs in Rajasthan has been analyzed with the help of key performance indicators. Analytical Techniques Employed – Key performance indicator analysis was done to study the comparative financial performance related to Regional Rural Banks.

#### **Data Collection**

The present study is empirical in character based on the analytical method. The study is mainly based on secondary data which is collected, compiled and calculated from annual reports of NABARD, RBI and RRBs of Rajasthan. Other related information collected from journals and websites.

- **Regional Rural Banks in Rajasthan**  
Regional rural banks have actively contributed to the development of rural areas in Rajasthan. The development of rural business and economy depends on the investment and financial support provided by regional rural banks in Rajasthan.
- **Brief information about Baroda Rajasthan Kshatriya Gramin Bank (BRKGB) and its branch network:**

The Baroda Rajasthan Kshatriya Gramin Bank, sponsored by the Bank of Baroda, was established by the Central Government, which issues the Gazette Notification No. in exercise of the powers conferred by sub-section (1) of Section 23A of the Regional Rural Banks Act 1976 (21 of 1976). . F No. 719/2011-RRB dated 01-01-2013, incorporating 3 regional rural banks. Baroda Rajasthan Gramin Bank, Hadoti Kshatriya Gramin Bank and Rajasthan Gramin Bank, sponsored by Bank of Baroda, Central Bank of India and Punjab National Bank respectively. The head office of the bank is in Ajmer and has 12 regional offices in Alwar, Banswara, Baran, Bharatpur, Bhilwara, Chittorgarh, Churu, Jhunjhunu, Kota, Neem Ka Thana, Sawaimadhopur and Sikar.

The bank's operating area is spread across 21 districts of Rajasthan. Ajmer, Alwar, Banswara, Baran, Bharatpur, Bhilwara, Bikaner, Bundi, Chittorgarh, Churu, Dausa, Dhaulpur, Dungarpur, Jhalawar, Jhunjhunu, Karauli, Kota, Pratapgarh, Sawaimadhopur, Sikar and Tonk. The bank is extending its services through 833 branches, 1 extension counter and 3401 active bank Mitra to customers (as on 31.03.2018) of more than 83.74 Lakh \*. All branches of the bank are under Core Banking Solution. The bank has customer friendly deposit schemes and is catering to the financial needs of all sectors in the area of operations of Micro Finance, Kisan Credit Card, General Credit Card, SME Finance and all other non-agricultural sectors. The NEFT facility has been extended to customers in all branches and RTGS facility is available in select branches. Internet banking facility is also available in all branches. The Bank is providing all the latest technology based services including Internet Banking, Mobile Banking, IMPS, RuPay Debit Card, RuPay Kisan Card, AEPS, CTS, ECS etc. The bank is tying up corporate insurance agency for life insurance and general insurance.

• **Brief information about Rajasthan Marudhara Gramin Bank (RMGB) and its branch network:**

Notification f. No. 7/9/2011-RRB issued by the Government dated 01 April 2014, with reference to Rajasthan. The Ministry of Finance of India, Department of Economic Affairs (Department of Banking) U / S 23A of RRB Act 1976, formerly Marudhara Gramin Bank and Mewar Zonal Gramin Bank were sponsored in one unit and one new bank namely Rajasthan Marudhara Gramin Bank. Our Head Office at JODHPUR was constituted by State Bank of India on 01/04/2014. The area of operation of the bank is the combined area of operations of the two erstwhile constituent banks. Jalore, Pali, Sirohi, Jodhpur, Jaipur, Nagaur, Dausa, Jaisalmer, Barmer, Bikaner, Sriganganagar, Hanumangarh, Udaipur, Rajsamand and Pratapgarh districts.

The main economic activities are in the agricultural sector after animal husbandry. Agriculture is dependent on the monsoon. Precipitation ranges from about 12cms to 63cms per year. The main streams of irrigation are dug / dug wells next to some canals. Three canal projects. The Ganga Canal, Bhakra and Indira Gandhi Canals provide irrigation to the Bikaner, Sriganganagar and Hanumangarh districts. The Jawai Canal irrigates parts of Pali and Jalore districts.

The soil of the region is sandy and the main crops of the area are millet, maize, sorghum, oilseeds, wheat and pulses. However, with new technology and better infrastructure some farmers have shown an inclination for cash crops such as cumin, Isabgol, tomato, potato etc. Some progressive farmers have also cultivated herbs and medicinal crops. Horticulture and fruit plantation are also growing rapidly in some areas of operation.

**Comparison of Regional Rural Banks-Key Performance Indicators**

**Table 1: Presents the Key Performance Indicators of Regional Rural Banks in Rajasthan as on FY 2018**

<b>Presents the Key Performance Indicators of RRBs in Rajasthan as on FY 2018</b>		
<b>Items / Indicators</b>	<b>BRKGB</b>	<b>RMGB</b>
<b>Sponsored Bank</b>	<b>Bank of Baroda</b>	<b>State Bank of India</b>
District Covered	21.00	15.00
Total Branches	832.00	692.00
Rural Branches	603.00	521.00
Semi Urban Branches	160.00	128.00
Urban Branches	56.00	25.00
Metropolitan	13.00	18.00
Total Staff (Excluding Sponsor Bank Staff)	3463.00	2725.00
Authorised Share Capital	200000.00	200000.00
Share Capital Deposit	30934.00	18193.00
Reserves & Surplus	71449.00	47994.77
Borrowings Outstanding	164752.00	69716.85
Deposits	1322840.00	987505.68
CD Ratio	77.74	70.26
Gross Loans and Advances (Outstanding)	1028367.00	693784.30
Investments (Outstanding)	292067.00	357447.26
Loan issued as on FY 2018	877143.00	652445.65
Recover Percent	88.26	74.68
Net Profit After Tax	10277.00	6105.52
Loss Amount	0.00	0.00
Net NPA Percent	2.01	2.10
Productivity Per Branch	2826.00	2429.61
Productivity Per Staff	679.00	616.99

Source: RRB's Annual Reports, RBI, NABARD.  
(Figures: Rs. In Lakhs.)

### Findings

The key performance indicators of RRBs in Rajasthan are presented in Table 1.

All indicators show positive and significant growth. Following are the major observations and conclusions.

The Baroda Rajasthan Kshetriya Gramin Bank (BRKGB) is largest district covered bank in Rajasthan then Rajasthan Marudhra Gramin Bank (RMGB).

- The Baroda Rajasthan Kshetriya Gramin Bank (BRKGB) is largest bank in Branch Network then Rajasthan Marudhra Gramin Bank (RMGB).
- The Baroda Rajasthan Kshetriya Gramin Bank (BRKGB) provided maximum lending in Rajasthan. The Baroda Rajasthan Kshetriya Gramin Bank (BRKGB) accepted / received maximum deposit in Rajasthan.
- Baroda Rajasthan Kshetriya Gramin Bank (BRKGB) issued maximum loan as compared to other RRBs.
- Baroda Rajasthan Kshetriya Gramin Bank (BRKGB) has the highest recovery performance as compared to Rajasthan Marudhara Gramin Bank (RMGB).
- The net NPA of Rajasthan Marudhra Gramin Bank (RMGB) is higher than Baroda Rajasthan Kshetriya Gramin Bank (BRKGB).
- The productivity of BRKGB per branch higher than RMGB.
- The Baroda Rajasthan Kshetriya Gramin Bank (BRKGB) is top in productivity per staff then Rajasthan Marudhra Gramin Bank (RMGB).

### Problems of RRBS in Rajasthan

- The Regional Rural Banks of Rajasthan have not been able to raise deposits due to severe competition from other banks and financial institutions.
- Insufficient skills in treasury management for profit orientation.
- Insufficient exposure and skills to innovate products that limit lending portfolios.
- The loan recovery system / procedure of banks are very poor due climatic conditions on year on year, personal problems of the farmers or debtors, political interferences etc.
- One of the important drawbacks - management by untrained employees.
- RBI regulations tightening in opening of new branches in rural places.

### Suggestions

- Opening more ATMs and e-lobbies in rural areas
- Use of rural credit cards with more credit value to be issued.
- The RRBs should change their loan policies
- Accountability and transparency need to be brought in the implementation of the schemes.
- The RRBs must maintain adequate liquid resources, margin, properly scrutiny of loans and should try to qualitative improvement to the staff.
- RRBs should establish proper coordination with other institutional financing agencies, cooperative banks, commercial banks and local participants to increase their capacity and exploit the untapped rural market.
- The RRBs must strengthen effective credit administration.

### Conclusions

The Government of India promoted Regional Rural Banks (RRBs) through the RRBs Act of 1976 to bridge the gap in flow of credit to the rural poor. The RRB was established to "develop the rural economy by providing credit and other facilities, especially for small and marginal farmers, for the development of agriculture, trade, commerce, industry and other productive activities in rural areas." Agricultural laborers, artisans and small entrepreneurs, and related matters and casual medicine". The Regional Rural Banks in Rajasthan are an integral part of the rural credit structure of the state. As we analyze the data, it shows that RRBs in Rajasthan are working for 360 degree development of the rural area of the state. In short, we can say that it provides all-round support to rural Rajasthan and has proved to be an institution where "development with social justice" exists.

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