

## REGIONAL RURAL BANK: GROWTH AND PERFORMANCE

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### ABSTRACT

*Agriculture and rural sector plays a vital role in economic as well as overall development of India, hence it becomes necessary to make strategy for raising income and generating employment in rural areas , to make programs for poverty alleviation in unbanked rural areas , to develop appropriate institutions and mechanisms for meeting the credit requirements of rural sector. Setting up of Regional Rural Banks (RRBs) in the mid-seventies was a major initiative in this direction. The RRBs are specialized rural financial institutions for meeting the credit requirement of small and marginal farmers, agricultural laborers, artisans and small entrepreneurs and to help in the development of rural economy. However, commercial and co-operative banks were also there to cater the credit requirements of the rural sector. While the commercial banks, with their focus on profitability had certain limitations in accelerating agricultural credit; the cooperative banks efforts were also hampered by several financial weaknesses. Though over the years the Regional Rural Banks have been able to expand their outreach and business and meet the credit requirements of the poor . But now in present scenario , several weaknesses have also emerged which eroded their profitability and viability like overdue, recovery of loans, nonperforming assets etc. Regional Rural Banks plays an important role in credit delivery in rural areas by providing credit facility to economically weaker section of population for the development of agriculture, trade and industry. In spite of the above functions the commercial viability of RRBs has been challenged due to its limited business flexibility, smaller size of loan & high risk. So, there is a need to study the financial performance of Regional rural Banks in India. This paper is an attempt to analyze the present level of financial performance of RRBs in India as on 31st March 2017. The study is based on secondary data collected from annual reports of NABARD and RBI. An analytical research design of "Key Performance Indicators Analysis" such as number of banks and branches, number of districts covered , growth rate of bank branches , growth rate of district covered ,deposits, advances and growth rate index is discussed in the present paper. The study finds and concludes that financial performance of Regional rural Banks has significantly improved.*

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**Keywords:** Regional Rural Banks, Rural Development, Growth Rate.

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### Introduction

India is a country of villages. Nearly 70 percent of our population lives in rural areas. Rural people in India such as small & marginal farmers, agricultural labourers, artisans and socially and economically deprived class have been exploited in the name of credit facility. The rural credit market includes formal and casual monetary establishments that meet the credit necessity of the rustic individuals in India. The dissemination of formal area credit has been lopsided, especially as for district. While, the casual area (moneylenders) progresses advances at exceptionally high paces of revenue. The terms and conditions appended to such credits are unforgiving. The present circumstance brought about the development of institutional offices in country credit under the influence and course of government. Institutional credit entered in the rustic zones as Co-agents in 1904. In spite of the fact that the credit Co-agents have gained impressive ground in giving credit to horticultural and associated exercises, they experience the ill effects of the issues of low recuperation, absence of polished skill in administration, and so on Extension of the financial area was restricted to key business habitats like New Delhi, Mumbai and

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Bangalore and the country regions are unaffected by these changes. To lessen this local lopsidedness 14 significant banks were nationalized in 1969. Nationalization of banks couldn't connect the whole credit hole in the country regions. A greater part of the little and negligible ranchers and country craftsmans stayed unaffected by the financial framework. Because of lacks of Co-agents and Commercial Banks , there was felt an extraordinary need of provincially situated rustic banks' that would address the issues and prerequisites of the country individuals in India. Subsequently, based on suggestions made by the Narasimham board, the public authority of India arrangement five Regional Rural Banks on a pilot premise on second October, 1975. Provincial Rural Banks were set up under the arrangements of an Ordinance declared on the 26th September 1975 and the RRB Act, 1975 with a target to guarantee adequate institutional acknowledgment for agribusiness and other rustic areas. The RRBs activate monetary assets from country/semi-metropolitan zones and award advances a lot generally to little and minimal ranchers, agrarian workers and rustic craftsmans.

RRBs work heavily influenced by two foundations, the National Agricultural Bank and Rural Development (NABARD) and Reserve Bank of India (RBI).

RRBs are together claimed by Government of India, the concerned State Government and Sponsor Banks; the gave capital of a RRB is shared by the proprietors in the extent of half, 15% and 35% individually. The first five RRBs were set up in quite a while, one each in Haryana, West Bengal , Rajasthan , and two in Uttar Pradesh , which were supported by various business banks. The Regional Rural Banks were arrangement as the "helpless Man's Bank" .

The fundamental target behind beginning of RRBs was to accomplish the country advancement through the improvement in financing to the more fragile part of the general public. The innovation of country credit targets giving account and different offices in the advancement of agribusiness and associated exercises to modernize the provincial economy. These establishments fill in as expansion to the current institutional credit foundation and furthermore to decrease cooperation of casual credit offices, particularly the corrupt cash loan specialists. The Regional rustic Banks have become essential piece of the provincial credit conveyance framework and thinking about critical strides in accomplishing banking administrations and preparing the country reserve funds of the more vulnerable segments in the towns even in modest quantities and to pound in them for supporting creation exercises through renegotiating. Along these lines, this investigation puts forth an attempt to assess the presentation of Regional rustic Banks in India and offer recommendations to improve the exhibition of Regional country Banks.

### Review of Literature

**As per NABARD (1986)** distributed "An examination on RRBs suitability", which was directed by Agriculture Finance Corporation in 1986 for the benefit of NABARD. The examination demonstrated the asset versatility and execution in country zones.

In the year 1989 unexpectedly, the conceptualization of the whole structure of Regional Rural Banks was tested by the Agricultural Credit Review Committee. Which contended that these banks have no reasonable reason for duration and suggested their consolidations with support banks. The Committee was of the view that "the shortcomings of RRBs are boundless to the framework and non-reasonability is incorporated into it, and the solitary choice was to combine the Regional rustic Banks with the support banks.

**The Committee on Financial Systems, 1991 (Narasimham Committee)** focused on the poor monetary soundness of the RRBs to the rejection of each other execution marker. 172 of the 196 RRBs were recorded unbeneficial with a total advance recuperation execution of 41.8 percent.

**Dr. B.K. Jha (2008)** decided the compelling financial administrations in rustic zones can have the option to advance the country business and improve the image of provincial India.

**Syed Ibrahim (2010)** has given that the exhibition of provincial banks in India has fundamentally improved after combination measure which has been started by the Government of India.

**Megha and Aparna Bhatia (2013)** believed that the general situation of Regional Rural Banks in India has improved during the post mixture period, however the quantity of Regional Rural Banks has diminished.

**Jayaramaiah et.al (2013)** affirmed that the general development of the economy and neediness easing rely on the framework which is giving moderate credit by the monetary organizations that invigorates supportable financial development through the inventory of credit all in all and to the provincial area specifically.

### Research Methodology

The study is based on secondary data and collected from Annual Reports of NABARD from various years and other books and journals. The study covers period of a decade i.e. 2007 to 2017. Various statistical tools such as percentage and mean and growth rate are used to evaluate the study.

### Objectives of the Study

- To measure the financial performance of Regional Rural banks in India.
- To analyze the key performance indicators of Regional rural Banks in India.
- To evaluate progress and growth of the Regional rural Banks

### Importance of the Study

The exploration study is huge to assess monetary execution of Regional rustic Banks in India. The outcomes or discoveries of the current examination are valuable to the approach organizers in their endeavors to improve the working execution of the RRBs in India.

### Scope of the Study

- The study covers the working of all Regional rural Banks in India.
- The study covers a specific period of 2007- 2017.
- There is macro analysis to measure the performance of all the Regional rural Banks in India.

### Area of the Study

The investigation depends on the exhibition of Regional rural Banks in India. Consequently, study covers all Regional provincial Banks in India to the satisfaction of targets of the investigation.

### Data Collection Method

The present study is empirical in character based on the analytical method. The study is mainly based on secondary data which is collected, analyzed and calculated mainly from annual reports of the NABARD and RBI. Required related information has collected from journals, articles and websites.

### Data Analysis and Interpretations

**Growth of Regional Rural Banks in India :** Number of Regional country Banks and their branch network assumes a huge job in improving the exhibition of RRBs. Accessibility of Bank office is considered as quite possibly the main channel of the bank and by and large the most favored channel of client. Thus it is expected to put forth an attempt by the banks to grow their branch organization to give an equivalent occasion to all the clients of bank administrations. The data identifying with development and inclusion of Regional rustic Banks in India is introduced in Table-1.

Table 1 shows that the quantities of Regional country Banks are going from 91 to 56 speaking to with a normal of 80 over the examination period having a standard deviation and co-proficient variety of 40.30 and 51.38 separately. The huge perception is the quantity of RRBs enrolled constant declining pattern from 91 (2007) to 56 (2017) showing their negative development. This wonder will be embraced to the approach measures started by the Government of India towards blend of RRBs in supported banks at state level to give operational opportunity and to improve their monetary productivity and execution. For representation by March 2017, RRBs of a similar support keeps money with in a State were amalgamated cutting down their number from 91 to 56. During the year 2013-14, 13 RRBs have been amalgamated into 6 new RRBs in 5 States (Chhattisgarh, Uttar Pradesh, Kerala, Karnataka and Haryana). With this, the viable number of RRBs as on 31st March, 2017 stands at 56 assuming a huge job in creating farming and provincial economy.

**Table 1: Growth of Regional Rural Banks**

Year	No of RRBs	Growth Rate	No of Branches of RRBs	Growth Rate	No. of District Covered with RRBs	Growth Rate
2007-08	91	(6.2)	14761	1.31	594	11.23
2008-09	86	(6.49)	15181	2.84	617	3.87
2009-10	82	(5.65)	15480	1.96	618	0.16
2010-11	82	0	16001	3.36	620	0.32
2011-12	82	0	16909	5.67	638	2.9
2012-13	64	(22.97)	17861	5.63	635	0.47
2013-14	57	(11.84)	19082	6.84	642	1.1
2014-15	56	(1.7)	19964	4.6	642	0
2015-16	56	0	20342	1.84	648	0.93
2016-17	56	0	20924	2.86	648	0
<b>Mean</b>	80	(13.02)	16927.15	3.12	606.38	2.7
<b>SD</b>	40.3	13.17	1960	2.06	45.89	3.7
<b>CV</b>	50.38	(101.31)	9.01	75.73	8.17	141.56

**State-wise Spread of Regional Rural Banks :** RRBs are required to guarantee that the focused on country unbanked area gets the required credit. Henceforth it is required an even development of the exercises of credit over various zones and pay layers of the populace by opening essential number of branches in unbanked territories. The data identifying with State-wise Spread of Regional Rural Banks and their Network and Coverage is given in Table 2.

Table 2 uncovers that the territory of Uttar Pradesh is having most elevated number of RRBs (8) and number of branches 3518 covering most noteworthy area (81), trailed by Andhra Pradesh number of RRBs (5) number of branches (1630) and number of region covered (23), Karnataka number of RRBs (4), Number of branches (1460) and number of region covered (30), Bihar number of RRBs (3) number of branches 1718 and number of region covered (38), Madhya Pradesh (number of RRBs 3, number of branches (1132) and number of region covered (50) Rajasthan number of RRBs (3) number of branches (1157) and number of region covered (36). From the abovementioned, it is apparent that six states (Uttar Pradesh, Andhra Pradesh, Karnataka Bihar, Madhya Pradesh, Rajasthan) are appreciating the lions share with most noteworthy number of RRBs (over half) covering more number of locale with their extend branch organization. It is intriguing to see that the portion of North Eastern states Manipur, Meghalaya, Mizoram Nagaland, Tripura, Arunachal Pradesh, is unimportant regarding number of RRBs, number of branches covered, and region covered. The striking perception is that such states are having just a single RRB with least number of branches, where as the province of Nagaland has just 10 branches. It is the away from of the awkwardness development of RRBs where the conspicuous in reverse territories have been given least need in giving financial offices. It uncovers the disappointment of RRBs to cook the credit needs of the retrogressive zones.

**Table 2: State-wise Spread of Regional Rural Banks and their Network and Coverage at The end of March- 2017**

S.No.	Name of the State	Number of RRBs	Number of Branches	Number of Districts Covered
1	Andhra Pradesh	4	1642	23
2	Arunachal Pradesh	1	30	8
3	Assam	2	428	27
4	Bihar	3	1718	38
5	Chhattisgarh	3	555	28
6	Gujarat	3	529	26
7	Haryana	2	507	23
8	Himachal Pradesh	2	188	12
9	Jammu and Kashmir	2	323	26
10	Jharkhand	2	442	24
11	Karnataka	3	1460	30
12	Kerala	2	506	15
13	Madhya Pradesh	3	1132	50
14	Maharashtra	2	645	33
15	Manipur	1	28	9
16	Meghalaya	1	76	7
17	Mizoram	1	71	8
18	Telangana	2	92	7
19	Nagaland	1	10	5
20	Orissa	2	901	30
21	Pondicherry	1	30	2
22	Punjab	3	311	24
23	Rajasthan	3	1157	36
24	Tamilnadu	2	374	31
25	Tripura	1	133	8
26	Uttar Pradesh	8	3518	81
27	Uttaranchal	1	237	13
28	West Bengal	3	921	18
28	Total	56	17856	635

Source NABARD, Key Indicators of RRBs for the Year-2017

**Deposit Mobilization of RRBs:** Deposit Mobilization is one of the pivotal elements of RRBs. Persistent and sufficient measure of store activation will guarantee the banks to release their capacity of loaning and venture on which the thriving of the bank depends. The bank should plan appropriate store preparation technique which is the essential wellspring of loaning exercises of the bank. The data identifying with store preparation of Regional Rural Banks is given Table-3.

**Table 3: Deposit Mobilization of RRBs**

(Amount ₹ in Crore)

Year	Advances	Growth Rate
2007-08	48492.6	21.64
2008-09	58984.3	14.95
2009-10	67802.1	21.27
2010-11	98917.4	20.31
2011-12	116385	17.66
2012-13	137078	17.78
2013-14	159660	16.47
2014-15	178420	17.44
2015-16	194785	19.43
2016-17	223562	18.52

Table 3 demonstrates that the amount of deposit mobilized in absolute term has registered an increasing trend continuously from Rs 48492.6 crores (2007-08) to Rs 2, 23,552 crores (2016-17). But the significant observation is that, though there is expansion in the branch net work, the growth rate of deposits has declined from 21.64 percent (2007-08) to 18.52 percent (2016-17). The declining trend in the growth rate shall be attributed to the recessionary trend prevailed in the economy. From the above, it is evident that the RRBs have failed to maintain the tempo of growth performance of deposits.

**Profit Position of RRBs in India**

Table - 4 demonstrates that the amount of profit of RRBs is swelling from 1383.69 crores (2007-08) to 4315 crores (2016-17) and the number of RRBs were reduced from 196 to 56(2018). It is observed that there is a decline in the number of RRBs over the years due to the process of amalgamation increase in the amount of profit of RRBs. This shall be inferred that the process of amalgamation has enabled the RRBs to improve their profitability position. It is also significant to witness that the number of loss making RRBs have reduced from 30 to nil and amount of loss declined from 55.58 crores to zero. From the above, it is evident that better operative utilization of the bank funds and increased efficiency of RRBs.

**Table 4: Profit Position of RRBs in India**

(Amount ₹ in Crore)

Year	No. of RRBs	RRBs in Profit	Amount of Profit	RRBs in Loss	Amount of Loss	Net Profit
2007-08	91	82	1383.69	8	55.58	1328.11
2008-09	86	80	1823.55	6	35.91	1787.64
2009-10	82	79	2514.83	3	5.65	2509.18
2010-11	82	75	2420.75	7	71.32	2349.43
2011-12	82	79	1886.15	3	28.87	1857.28
2012-13	64	63	2275	1	2.07	2272.93
2013-14	57	57	2833	0	0	2833
2014-15	56	56	3211	0	0	3211
2015-16	56	66	3916	0	0	3916
2016-17	56	79	4315	0	0	4315

Source: The annual Reports of NABARD from 2007-2017

**Findings**

- Growth of deposit and credit declined to 8.6 percent and 9.3 percent individually during 2015-16 from 10.7 percent and 9.8 percent separately a year back. The deceleration in stores and credit during 2015-16 was expansive based across all populace gatherings
- Term deposit comprised the most noteworthy offer (63.6 percent) in total stores followed by saving store (27.4 percent) and current store (9.1 percent).

- According to measure of all out business (stores in addition to credit) of SCBs, seven states, viz., Maharashtra, NCT of Delhi, Tamil Nadu, Karnataka, Uttar Pradesh, West Bengal and Gujarat represented 68.6 percent of the absolute business. Maharashtra alone contributed 25.7 percent of the aggregate. These seven states represented 65.7 percent of stores and 72.2 percent of credit.
- The all India credit-store (C-D) proportion remained at 77.9 percent for the quarter. This proportion was the most noteworthy for Tamil Nadu (112.9 percent) trailed by Andhra Pradesh (104.5 percent), Telangana (103.6 percent), Maharashtra (102.7 percent), Chandigarh (99.5 percent).

### Suggestions

The study reveals that there are fluctuations in growth of RRBs where the prominent backward areas such as North Eastern states have given the least priority. Hence it is needed to open requisite number of branches in remote area that provides equal opportunities to all areas and income strata of population.

It is observed that RRBs have failed to maintain the cadence of growth in deposits. Hence it is needed to design the appropriate deposit mobilization policy on which the survival of RRBs in future. So RRBs must be develop the good relation with the customers and should create confidence to the formers.

### Conclusion

There is also a wide gap in C/D ratio between the RRBs and commercial banks. Hence it is recommended to make consistent efforts to augment the C/D ratio of RRBs on par with commercial banks.

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