

Regional Rural Banks in India: A Critical Analysis on the Financial Performance with Special Reference to Bihar

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Abstract – Banks plays a vital role in the development in addition to growth of developing nations like India. Banks use lubrication the complete monetary and economic system and are confident smooth operations. Since 1991, various steps have recently been adopted by GOI regarding strengthening the RRBs i.e. recapitalisation of picked RRBs etc. Nearly 70 percent in the total of Indian population lives in rural areas. For that development regarding Indian economy, we have a need to have for the development associated with the rural areas. Typically the main objective behind the particular establishment of these banking institutions may be the development of culture, trade, commerce, industry and so on.

This research paper includes light around the need associated with banking system in non-urban areas and significant position played by banking program in the progress countryside areas in India. The particular main aim of this kind of paper is to examine the present degree of economic performance of RRBs throughout India. This study is usually based on the supplementary data collected from the particular annual reports of NABARD. There is always the purpose for up-gradation associated with the rural banking devices in India through efficiency evaluation within the context regarding necessity of institutional non-urban credit to the weak rural folk.

Keywords: Economic System, Performance, Recapitalisation, Industry, Rural Banking.

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1. INTRODUCTION

Rural development may be the process of improving typically the quality of life and even economic well being regarding the testers living on the rural areas. Intended for rural development, there is definitely a requirement for proper credit services. To satisfy the gap that will exist in meeting the particular credit needs of country poor, the govt. designated a working group in rural credit. Depending on their recommendations, regional rural banking institutions emerged in 1975. These types of banks were intended to get banking to the non-urban masses, particularly in regions without banking facilities, provide cheaper institutional credit towards the weaker sections of the particular society, mobilise rural cost savings and channelize them with regard to other productive activities inside rural areas and provide down the expense of providing credit score in rural areas. Typically the rural credit market inside India consists of equally formal and informal monetary institutions and agencies of which meet the credit demands of the rural populace. For the purpose involving classification of bank limbs, the Reserve Bank specifies rural area being a location with a population involving less than 10, 1000. RRBs compete with the particular commercial banks in non-

urban credit market of Asia. RRBs give loans with regard to agriculture and rural enhancement while commercial banks in addition serve needs of business and industry in countryside areas.

1.1 Need of Banking in Rural India

Around 66% associated with Indian population lives found in the villages as described in 2019. The cost savings and cash flows involving the many the countryside population is small credited to which for the particular basic needs like foods, housing, education etc. Most involving the peoples in countryside areas involved in farming activities. Rural households likewise need funds for having out their agricultural actions. For meeting credit demands they approach to moneylenders because loan from typically the financial institutions involves lots of paper work, formalities and in addition time consuming. Moneylenders acquire advantage of the condition and charge high rates of interest. As a result regarding which rural peoples endures from a great offer of indebtiness. Rural individuals need financial institutions that may provides loans to all of them at lower rates plus easy terms. The primary aim of establishment associated with RRBs is that

countryside peoples can get loan products at surprisingly low rate plus on easy terms. Throughout 1975, five RRBs have been established which increases in order to 56 in number masking 680 notified districts found in 27 states along with the association territory of Puducherry together with a network of twenty-one, 422 branches.

2. LITERATURE REVIEW

Pandit (2006). The academic research encourages the examination involving one important issue relevant to mergers in Indian native banking. Do, merger throughout Indian banking improve in business performance and efficiency involving banks? But in Asia, steered by the key bank, most of the particular weak banks are increasingly being joined with healthy banks inside order to avoid economic distress and also to protect the particular interests of depositors.

Patre et. al (1999) supplies an excellent literature overview on both these concerns. The very first issue identified over could be the study of write-up merger accounting profits, functioning expenses, and efficiency percentages in accordance with typically the pre-merger performance from the finance institutions. Here the merger is definitely assumed to improve efficiency in terms of earnings by reducing costs or perhaps by increasing revenues.

Naidu, L. K. (1988) carried out a study on RRBs taking a sample associated with 48 beneficiaries of non-urban artisans in Cuddapah region of Andhra Pradesh below Rayale Seen Gamin Standard bank. In this study, this was figured the beneficiaries were able to a person should find an raise in their income as a result of finance provided by typically the bank

Kalkundrickars (1990) inside his study on Functionality and Growth of Territorial Rural Banks in Karnataka found that these banking institutions had benefited the beneficiaries in raising their earnings, productivity, employment and employ of modern practices and even rehabilitate the agricultural Merchants.

Kumar Raj (1993), taken out a study upon the topic "Growth and even Performance of RRBs within Haryana." The specialist felt the need to be able to boost the share capital plus to ensure efficient employ of distribution channels regarding finance to beneficiaries.

K. Jai Parkash (1996) conducted a study together with the aim of studying the role of Local Rural Banks in Financial Development and revealed of which RRBs have been enjoying a vital role inside the field of non-urban development.

Swaminathan (2002) Plans of current phase regarding financial liberalization have experienced an immediate, direct, and even dramatic effect on country credit. There has already been a contraction in

countryside banking in general in addition to priority sector landing plus preferential landing to the particular poor in particular.

Pallavi Chavan (2004) has evaluated the growth and local distribution of rural bank over the period 1975-2002. The concerned paper files the gains made simply by historical underprivileged region associated with east, north-east, and main India over social plus development banking.

Landerman (2000) explores potential diversification advantages to be had through banks merging with not banking financial service businesses.

Wheelock and Wilson (2004) find that expected combination activity in US financial is positively related in order to management rating, bank overall size, competitive position and physical location of banks plus negatively related to marketplace concentration.

3. SIGNIFICANCE OF THE STUDY

Viability of countryside financial institutions is a new sine qua non. Nevertheless, a balanced view is definitely necessary in the circumstance of immense contribution built by the RRBs simply because a group as nicely as individually in typically the area of their procedure, nearly all of which have incredibly difficult and hostile socio-economic and political environment. RRB as an entity offers indeed established its one particular of a kind spot in the rural economic system in India inside terms of branches, deposit and depositors, advances plus borrower accounts and credit-deposit ratio. Besides, it offers extended the much necessary banking infrastructure reaching in order to rural masses and offered considerably in respect associated with mobilization of tiny volume from your very large range of rural household depositors and providing tiny amount of credit rating to quite a large numbers of country households for their interpersonal and economic liberation of which help them enjoying a new reasonable.

4. OBJECTIVES OF THE STUDY

The study has been undertaken with the following objectives:

- To understand the need of banking in rural Bihar
- To evaluate the financial performance of regional rural banks in rural Bihar
- To evaluate the progress of RRBs in Bihar

5. RESEARCH METHODOLOGY

The study is basically exploratory in nature and depends exclusively on secondary data. Secondary data are collected from various reports on RRBs published by NABARD and the RBI bulletin, annual reports of RRBs, reports of the various committees set up by the government on RRBs and the publications of BIRD. Parameters like ratios, percentage of growth and others are considered for some meaningful comparison and analysis to evaluate performance of the RRBs and also to derive some concrete conclusion.

6. DATA ANALYSIS & INTERPRETATION

In this section data collected from the survey have been discussed in detail:-

Table 6.1 Comparative Statistics of growth in profit & losses of RRBS

RRBs/year	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Bihar Kalyan Gram Bank (BKGB)	0.18	(12.96)	82.54	1.40	1.15	14.40	15.82	17.91
Madhya Bihar Bank (MBGB)	22.71	35.37	48.80	31.70	17.06	10.31	31.09	41.74
Sanskrit Kalyan Gram Bank (SKGB)	1.33	(2.08)	38.34	(4.04)	(3.28)	8.74	4.77	5.78
Uttar Bihar Bank (UBGB)	7.38	(32.96)	498.33	(32.44)	3.21	93.03	130.48	125.50
Bihar State	31.58	(12.63)	466.41	(6.21)	18.17	131.88	202.36	196.94
Eastern Region	42.49	(63.02)	1585.59	(97.34)	(28.73)	181.96	245.03	313.72
All India	900.41	518.98	2790.51	682.30	786.13	1335.94	1785.66	1870.18

Source: Institutional Development Department, NABARD, Mumbai

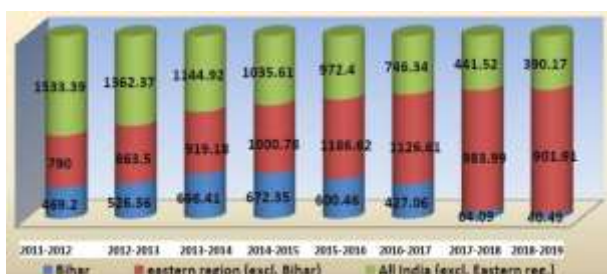


Figure 6.1 Comparative Statistics of accumulated losses of RRBs

Source: Institutional Development Department, NABARD, Mumbai

Table 6.2 Statistics related to performance Indicators of RRBs

Particulars	2016	2017
Number of RRBs	56	56
Branch Networks	20,920	21,422
Share Capital	6,387	6,401
Tier II Bonds	97	20
Reserves	20,665	23,080
Deposits	3,13,499	3,71,910
Borrowings	47,888	51,588
Investments	1,69,592	2,10,984
Gross Loans & Advances (outstanding)	2,06,538	2,26,175

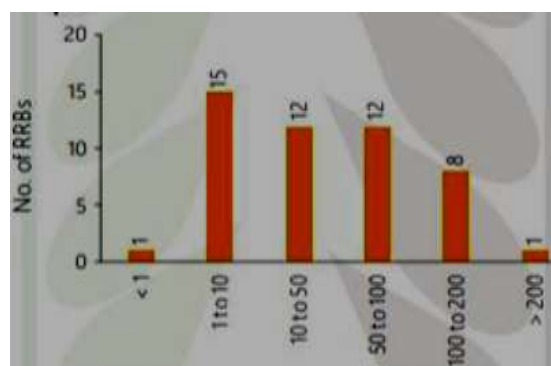
Source: RBI Bulletin

Table 6.3 Statistics related to profitability of RRBs

Particulars	31 March 2016	31 March 2017
RRBs Earning Profit (No.)	50	49
Profit in ₹ crore (A)	2,206	2,604
RRBs Incurring Losses (No.)	6	7
Losses in ₹ crore (B)	188	387
Net Profit of RRBs ₹ crore (A - B)	2,018	2,218
RRBs with Accumulated Losses (No.)	8	8
Accumulated Losses in ₹ crore	1,050	1,147

Source: RBI Bulletin

Figure 6.2 Statistics related to frequency distribution of profit earned by RRB



Source: RBI Bulletin

- One of the major manufactured by researcher is of which out of 56 RRBs 49 RRBs earning earnings.
- To improve the performing of RRBs Union cupboard approved extension of plan of recapitalization of RRBs approximately 2019-20. This can enable RRBs to sustain minimum prescribed capital to be able to risk weighted asset proportion (CRAR) of 9%. This will help RRBs throughout ensuring strong capital framework and minimum required degree of CRAR.
- Gross money and advances also improves from 2, 06, 538 cr. in 2016 to be able to 2, 26, 175 cr. in 2017.
- Out regarding 56 RRBs, the amount of profits making banking institutions stood at 49 throughout 2017 as compared along with 50 out of 56 in 2016.
- The total profit of RRBs enhanced from 2018 cr. within 2016 to 2218 crystal reports. in 2017. The revenue earned by 49 RRBs during the year ranged from 0. 56 cr. to 352 cr.

- The frequency distribution of revenue earning RRBs during 2016-17 showed that 48 RRBs posted profits between a single cr. to above 200 cr., out of 9 RRBs posted money of 100 cr. and above.
- The accumulated losses of RRBs increased from 1050 crystal reports. as on 31st walk 2016 to 1147 crystal reports. As on 31st mar 2017. As percentage associated with loan outstanding, the low NPA of RRBs improved from 6. 8% since on 31st march 2016 to 8. 07% in 31st march 2017.
- The aggregate deposits of RRBs increased from 3, tough luck, 499 cr. in 2016 to 3, 71, 910 cr. in 2017.

7. CONCLUSION

For typically the purpose of rural growth and meeting the credit rating needs of rural individuals, RRB came into living are actually highly successful throughout the mobilising rural cost savings. RRBs are providing loan products to small, marginal growers and recruit local people which creates the career at the door actions of the rural people. It will result in financial stability associated with RRBs and helps that to plays greater position in financial inclusion in addition to meeting the credit needs of rural areas.

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