

RRBs in India's regional rural banking scenario

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ABSTRACT

India lives in its villages and the founding fathers deemed it imperative to enable financial inclusion for the rural population. Therefore, Finance is the life blood of this agrarian economy. Realizing the fleeing of rural masses, government of India took several initiatives to promote the growth of rural and agriculture sector. Amongst these initiatives, major was the establishment of Regional Rural Banks (RRBs). Over the years, RRBs have proved to be the most active agencies in the process of strengthening rural economy by purveying credit and mobilizing deposits from rural areas through their vast network even in the remotest areas of the country. The present study attempts to empirically examine the growing position of regional rural banks during the period spanning from 2010 TO 2020 by using various statistical techniques. The aforementioned conclusions portray that over the period from 2010 to 2020, regional rural banks have experienced reduction in the number of banks, increasing amount of loans and deposits and a very meagre change in number of branches and that is only in 2020.

KEYWORDS: RRBs, Expansion, Period, Techniques

India lives in its villages and the founding fathers deemed it imperative to enable financial inclusion for the rural population. Therefore, Finance is the life blood of this agrarian economy. Realizing the fleeing of rural masses, government of India took several initiatives to promote the growth of rural and agriculture sector. Amongst these initiatives, major was the establishment of Regional Rural Banks (RRBs). The first five RRBs were; Prathama Bank and Gorakhpur Kshetriya Gramin Bank in Uttar Pradesh, Haryana Krishi Gramin Bank in Haryana, Gour Gramin Bank in West Bengal and Jaipur-Nagpur Anchalik Gramin Bank, in Rajasthan. having loans and deposits of worth Rs. 0.10 and 0.20 crores respectively the mandate of these rural financial institutions was to:

- take banking to the doorsteps of the rural masses, particularly in areas without banking facilities;
- make available cheaper institutional credit to the weaker section of society, who were to be the only clients of these banks;
- mobilize rural savings and channelize them for supporting productive activities in rural areas; generate employment opportunities in the rural areas; and
- bring down the cost of providing credit in rural areas

The main objective of study is to examine the position of RRBs during the period 2010 to 2020. The plan of the study involves the five sections. Section I has given the introduction about RRBs. Section II analyzes the extension scenario in terms of number of branches, increase in the volume of loans and deposits with the objective of banking for the rural masses. Section III presents a brief review of literature of RRBs. Section IV involves the database and methodology used in this study. In this section we study the sources from which the data has been taken and methodology used in evaluating financial performance of RRBs. Section 4 elaborated elaborate the statistical tools used for expansion scenario of with various trend line of Regional rural banks. Section 5 sums up the discussion.

SECTION II

EXTENSION SCENARIO OF RRBS DURING 2010-2020

In order to have knowledge about the growing of RRBs, we have to analyze their extension SCENARIO in terms of number of branches, increase in the volume of loans and deposits with the objective of banking for the rural masses. Expansion scenario of RRBs is elaborated in Table 1.

TABLE 1: EXTENSION SCENARIO OF RRBS DURING 2010-2020

Period Ending	Banks	Branches	Loans (Rs. in Crore)	Deposits (Rs. in Crore)
March 2010	82	15723	72034	246789
March 2011	82	16001	98917	166232
March 2012	82	16909	82538	186336
March 2013	64	17861	102162	211488
March 2014	57	19082	159660	239504
March 2015	56	20024	184843	271329
March 2016	56	20920	206538	313499
March 2017	56	21422	226175	371910
March 2018	56	21747	253978	400459
March 2019	53@	21876	280755	4344444
March 2020	45	21,850	2,98,256	4,78,547

Sources: Statistics on RRBs, NABARD, Mumbai.

: Various Statistical reports of RRBs.

Reports on Trends and Progress of Banking in India

: Various reports of NABARD.

@ Statistics on RRBs, NABARD, Mumbai.

originally there were only 6 RRBs in 1975 and increased to 196 in 2005. The number of banks remained same (196) till 2005 and which continuously reduced to 82 64,57,56 and 45 in March 2011, 2013, 2014, 2018 and 2020 respectively due to structural consolidation of RRBs by amalgamated RRBs. Similarly, number of branches increased from 17 in 1975 to 15723 in 2010 and 21850 in 2020. number of branches increased as well decreased marginally. On the other hand, loans and deposits increased continuously during the same period. As 6 RRBs having loans and deposits of worth Rs. 0.10 and 0.20 crores respectively. As compared to 1975 loans and deposits grew tremendously. Further in 2010, amount loans and deposits of Rs. 72034 crore and Rs. 246789 crores respectively. And finally, in March, 2020 although number of banks reduced but loans

and deposits increased to Rs. 2,98,256 crore and Rs. 4,78,547 crores respectively. Overall scenario depicted that instead of number of decreases of RRBs, but branches, loans and deposits showed the positive and remarkable growth.

SECTION 111

A BRIEF REVIEW OF THE RELEVANT LITERATURE

Kumar (1993) studied the progress and performance of the RRBs in India from 1979-80 to 1989-90. The study selected various performance indicators such as number of RRBs, number of districts covered, number of branches, amount of deposits and advances provided to different categories.

Deshpande et al. (1999) analyzed the impact of deregulation of interest rates on 15 RRBs for the period 1996-97. This study was prepared just for shifting the loss making RRBs into profit making RRBs. The study found that RRBs though operate with a rural focus, were primarily scheduled commercial banks with a commercial orientation.

Prasad (2003) examined the performance of all RRBs in the context of pre and post -financial sector reforms period during the period 1975 to 2002. In the first two and a half decades of RRBs inception i.e., from 1975 to 1990, there was increase in number of banks, district coverage and deposit mobilization of the banks. But after this period, these banks faced various problems like increased over dues, controlled of multi-agency system, untrained staff, increased establishment costs, losses etc. Further, the balance sheets of 156 RRBs out of 196 RRBs had shown losses. The study further explained that on the basis of the recommendations made by various committees, a number of policy change or measures for development of RRB's had been introduced.

Ahmad (2006) made an attempt to analyse the business performance of all RRBs covering deposits, outstanding advances and loans, investment, credit- deposit ratio and recovery of loans. The study covered the period from 1975 to 2000. The findings revealed that these banks incurred huge losses due to poor business performance from 1975 to 1994. But after 1995, the position had improved a lot after the implementation of the Bhandari committee recommendations. examine the physical performance of RRBs based on physical parameters i.e. in terms of; Growth of RRBs in terms of the physical and financial growth of RRBs, the advances by the RRBs in different sections and the recovery performance of NPAs.

Jorum et. al (2012) examined the impact of amalgamation on physical performance of RRBs during post-amalgamation period.

Sonil and Kapre (2014) Regional rural Banks plays a vital role in the agriculture and rural attempted to analyse the status with financial performance of RRBs in India as on 31st March 2011. The study is based on secondary data collected form annual reports of NABARD and RBI. An analytical research designed of Key

Performance Indicators Analysis such as number of banks and branches, deposits, loans, investments and growth rate index are followed in the present study. The study is diagnostic and exploratory in nature and makes use of secondary data. The study finds and concludes that performance of RRBs has significantly improved.

Mohindra (2014) Examines the Asset quality of a bank that determines its soundness. If its assets quality is poor, it will seriously affect the profitability and their ability to strengthen their capital position. The asset quality in banks has deteriorated at a "frightening pace" during 2013-14 fiscal with public sector banks bearing the maximum brunt of bad loans, . The study has considered the period from 1991-1992 as the reforms period was started from this period and the period is selected up to 2011-2012 period. It indicated that the gross NPAs of RRBs gradually declined over the years from 47 per cent in 1991-92 to 4.14 per cent in 2011-12. RRBs have shown the eye-catching progress in NPA management during the period of financial reforms.

SECTION 1V

DATA BASE AND METHODOLOGY

In this section an attempt has been made to discuss the scope and design adopted in this study with a view to accomplish the objectives of the study. It involves the study of total of all RRBs of India from year 2010 to 2020. The present study is based on the series data from the year 2010 to 2020. This study is entirely based on secondary sources. Data in the present study have been taken from various secondary sources as given below.

- i. Reports on Trends and Progress of Banking in India
- ii. Statistical Table Relating to Banks in India.
- iii. Statistics on RRBs, NABARD, Mumbai.
- iv. Various Statistical reports of RRBs.
- v. Various reports of NABARD.
- vi. Internet Source.

To examine the growing scenario of RRBs in India, the present section Uses the various statistical techniques of such as average, skewness, median, standard deviation related with whole population to review the financial health of RRBs over the study period. Consistent with the objectives of the study, the data collected from various sources was analysed and interpreted.

SECTION V

This section elaborated extension performance of Regional rural banks. These statistical methods find out as:

As clear from table 2, banks, branches , loans and deposits has average 62.63, 9401.36, 178714.18 And 657321.55 respectively : skewness ratio are 0.75,-0.47, 0.06 and 3.28 respectively; STDEV.P measured as 12.57,2299.76, 77841.85 and 1169551.08 of 305.938 along with median are 56.00, 20024.00, 184843.00 and 271329.00 respectively. Further minimum values have been noticed 45.00, 15723.00, 72034.00 and 166232.0062 and 1076 respectively and maximum value have been noticed 82.00, 21876.00, 298256.00 and 4344444.00 respectively.

Statistical Techniques	Banks	Branches	Loans	Deposits
Average	62.63	19401.36	178714.18	657321.55
Min	45.00	15723.00	72034.00	166232.00
Max	82.00	21876.00	298256.00	4344444.00
STDEV.P	12.57	2299.76	77841.85	1169551.08
SKEW	0.75	-0.47	0.06	3.28
MEDIAN	56.00	20024.00	184843.00	271329.00

NOTE:1 .SKEW stand for Skewness.

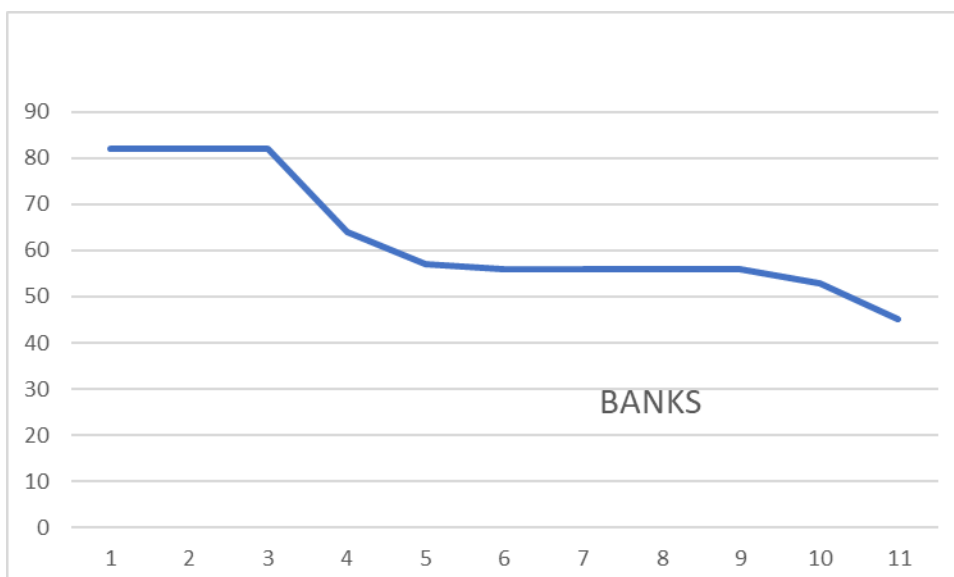
2. STDEV stands for standard deviation.

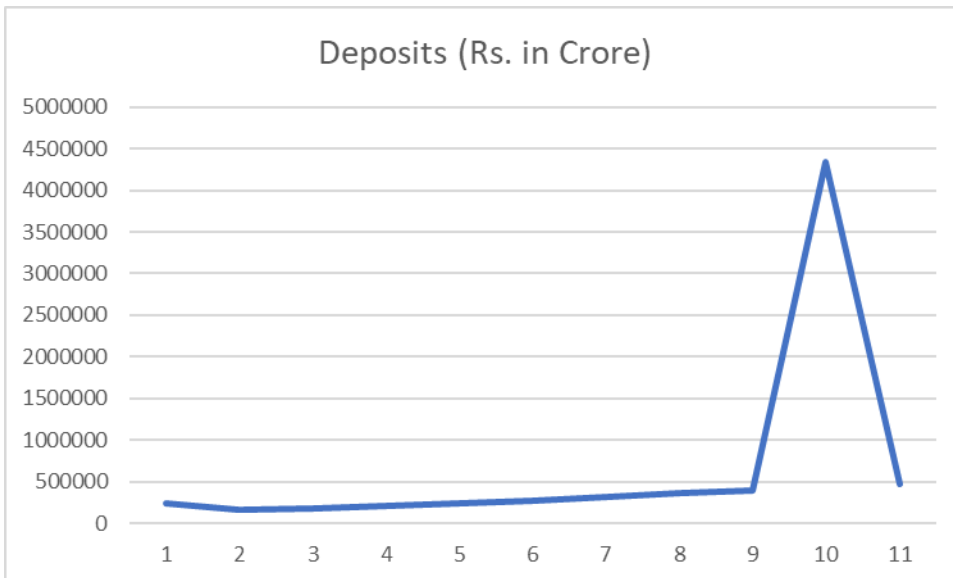
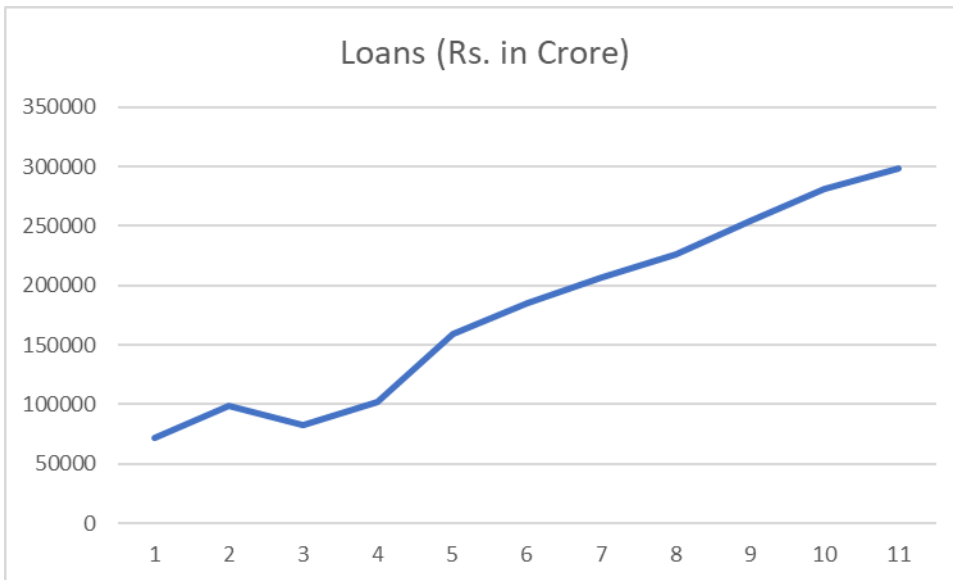
3. MIN stands for minimum value.

4 .MAX stands for maximum value.

NOTE: Author’s Calculations.

Trend lines have also been constructed for better understanding the performance of RRBs as shown as: All the trend lines of various parameters such as number of banks and branches along with the amount of loans and deposits have shown upward and downward fluctuations. As it was already mentioned that upward change indicated increasing tendency and downward fluctuation indicated decreasing tendency of the parameter.





SECTION VI

India lives in its villages and the founding fathers deemed it imperative to enable financial inclusion for the rural population. Therefore, Finance is the life blood of this agrarian economy. Realizing the fleeing of rural masses, government of India took several initiatives to promote the growth of rural and agriculture sector. Amongst these initiatives, major was the establishment of Regional Rural Banks (RRBs). Over the years, RRBs have proved to be the most active agencies in the process of strengthening rural economy by purveying credit and mobilizing deposits from rural areas through their vast network even in the remotest areas of the country. Though the regional rural banks have faced a great threat initially, the introduction of financial sector reforms and other policy initiatives (including recapitalization) by Government of India, Reserve Bank of India and other agencies concerned for strengthening the financial position of regional rural banks have resulted in perceptible improvement in the functioning of these banks. Evidence from the above, regional rural banks are thus required to devote utmost attention to their performances to meet global aspirations. The present study attempts to empirically examine the growing position of regional rural banks during the period spanning from 2010 TO 2020 by using various statistical techniques. The aforementioned conclusions portray that over the period from 2010 to 2020, regional rural banks have experienced reduction in the number of banks, increasing amount of loans and deposits and a very meagre change in number of branches and that is only in 2020.

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