

Full Length Research Paper

Regional Rural Banks (RRB's): An Analysis of Performance during F.Y. 2007-12

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Abstract

The present paper aims to analyze the recent financial performance of Regional Rural Banks (RRBs) in India, using different financial performance indicators taken from various reports of NABARD in this regard for the last 5 F.Y. (i.e. 2006-2007 to 2011-12). Secondary data were used to evaluate the different performance indicators extracted from the Annual Reports of NABARD (National Bank for Agriculture and Rural Development). The study concludes that the Regional Rural Banks (RRB's) in India have made significant improvements in last five years. It was also found from different studies that, the sincere efforts of RBI and Government of India towards the amalgamation have directly and positively impacted the performance of RRBs. A consistent progress has been resulted in. However, It arrived at the conclusion that concerted efforts have been taken by RRB and they achieved a higher progressive performance.

Keywords: Regional Rural Banks, NABARD.

Introduction

The lack of accessibility to financial services by the poor and disadvantaged stream is identified as one of the serious obstacle for including the backwards in the process of inclusive growth (NABARD, 2012). It is also evident that bank is one of the key factors in the economic development. Regional rural banks were established in 1975 with an intention of attaining improvements in economy through providing credit and other facilities particularly to small and marginal farmers, agricultural laborers, artisans and small entrepreneurs or low income groups of society for the purpose of accelerating agriculture, trade, commerce, industry and other productive activities in rural areas. In Indian scenario, Regional Rural Banks is not only acting as link between transforming household or small savings to industrial investment but also provider of financial services to the unbanked areas of economy. In 2005 on the suggestion of Vyas Committee which was constituted in 2001 and recommended restructuring of RRBs, the first phase of consolidation restructuring of RRBs was done by amalgamating 196 Regional Rural Banks, for improving their operations to achieve economic advantage and to ensure better managerial control by giving appropriate autonomy and to take necessary solution for their problems like nonperforming assets, recovery performance, branch expansion etc. Regional Rural Banks (RRBs) is a key factor of rural financial system of India. The original objective of the RRBs was to bring progress with social justice to the rural poor, who were generally denied access to financial services from commercial banks.

In Banking Commission report of 1972 visualized the idea of setting up of rural banks in India. The journey of Regional Rural Banks in India began from the year 1975 and the Regional Rural Banks have become integral part of the rural financial system of the country and successively

increase in providing credit and other banking financial services to the rural masses by adding wide network of branches, adopting strategic schemes etc. in different states of the country. For the better functioning of RRB various actions have been taken such as consultation with NABARD, state level amalgamation of RRBs between particular state Government and sponsor bank, sponsor bank wise amalgamation in September 2005. In 2004, Vyas Committee suggested that restructuring of RRBs will bring the operational highs through proper control and administration. The amalgamation process consisting of two phase. In the first phase, it's the amalgamation of all RRBs of sponsor banks to create a single unit in that state while in the second phase; state level consolidated amalgamation was done. During September 2005 to 2008 the first phase amalgamation process were done among sponsors bank of RRBs at state level. In 2005 under the chairmanship of Sardesai a Committee was constituted by RBI to analyze the impact of restructuring of RRBs. The committee supported on merger or amalgamation of RRB's to make them productive and profitable financial institution. At the end of September 2005, there were 196 RRBs which functioning in 26 states across 525 districts with a network of 14,494 branches. After all the amalgamation process of RRBs the total numbers of RRBs were reduced from 196 to 88 in 2008.

Literature review

Many authors studied about the different aspects of RRBs and found different results and similarly quoted there are significant improvements in performance and RRBs will be path for successive economy of India. Chidambaram (2007) founded that RRBs in India made a favorable status in deposit mobilization, credit dispensation and profit making during the period 2002-03 to 2004-05. RRBs succeeded in

proving better customer services by maintaining good infrastructure facilities and personnel. He also mentions that all those reforms are made the RRBs priority focus on profit. Reddy, A. A. (2010) conducted a theoretical study on "Rural Banking Strategies for Inclusive Growth" to find out what are the strategies should adopt by RRB to improve their overall performance. He suggested that the regional rural banks should adopt innovative methods to make the banks economically viable at the same time not compromising with outreach to the rural people and priority sector and less developed regions and poor people. The study specifically suggests reduction of number of bank branches to make individual banks economically viable and reach many villages through setting up of mobile banks/bank agents/representatives.

like Number of network of branches, investments, deposits, accumulated losses, and reserves, NPAs to loans, recovery operations and net worth are considered as the major performance indicators. In this descriptive nature study secondary data were collected from different annual report of NABARD period of 2006 to 2016. Their percentage changes and periodical variation are determined by using simple percentage method and result thereof. As objective to check the performance status of RRB different indicators like network of branches, investments, deposits, accumulated losses, and reserves, NPAs to loans, recovery operations and net worth are considered as the major performance indicators which are available in the annual report of NABARD. Simple percentage analysis with table, graph and theoretical interpretations had made.

Methodology

As the objective, analyzing the performance of Regional Rural Banks during 2006 to 2016 in India, performance indicators

Table 1.1 No. of Branch Networks

Year	2007	2008	2009	2010	2011	2012
Branch Network (No.)	14520	14761	15181	15444	16001	16909
% Change	0.2	1.7	2.8	1.7	3.6	5.7

Source: Compiled from Various reports of NABARD

The Table 1.1 reflects that the number of branch networks of RRB have been increased at an increasing rate since 2007. The high rate of 5.7 % in branch network improvement was achieved in 2012 were RRB had 16909 networks and the lowest increase of 0.2 % was in 2007. The total performance in the number of branch network of

Analysis and discussion

RRBs is favorable. It seems a progressive growth and it can be conclude that area of operation is spreading to remote areas of rural. More branches were opened during the period 2007 to 2012. Increase in branches and networks shows RRB making avail of different banking products and services to more people especially for rural.

Table 1.2 Reserves (in Rs. Crore)

Year	Reserves	% Change
2007	4901.54	14.78
2008	5703.06	16.35
2009	6753.99	18.43
2010	7912.39	17.15
2011	9565.58	20.89
2012	11262.99	17.74

Table 1.2 is about the Reserves position of RRBs , as seen in the graph yearly RRB made a positive reserve ratio from their operation and it indicate that they performed well and capable of being keeping reserve ratio at an increasing rate.

In 2011, it shown 20.89% increase in the reserve and in terms of rupees 9565.58 Crores. It found that RRB keeping a prominent and progressive reserve position during the period of 2007 to 2012.

Table 1.3 Deposits (in Crore)

Year	Deposits	% Changes
2007	83143.55	16.56
2008	99093.46	19.18
2009	120189.9	21.29
2010	148980.48	23.95
2011	166232.34	11.58
2012	186336.07	12.09

It is evident from the Table 1.3 that total deposit of RRBs is progressive in nature during 2007 to 2012. In 2010 RRB made 23.95% increment on the total deposit of 2009(120189.9Crores) and attained 148980.48Crores. It reported that a slight down in 2011 were percentage of

improvement was 11.58% compared to 2010's total deposits and achieved amount of rupees 166232.34 Crores in 2011. In 2012 RRB has 186336.07 Crores of rupees as total deposit; it was only 83143.55 Crores in 2007. Total deposit as an indicator it shows that the deposit position of RRBs is

Table 1.4 Investments (in Crore)

Year	Investments	Percentage Growth
2007	45666.14	10.89
2008	48559.54	6.34
2009	65909.92	35.73
2010	76167.29	15.56
2011	86510.44	13.58
2012	95974.93	10.94

Table 1.4 represent the annual investment of RRB, in 2009 RRB increased their investment to 65909.92 Crores at 35.73% more than on its previous year 2008 (48559.54 Crores). Investment position showed consistent and progressive norms in the performance of RRB. This regular

investment hike results that RRB not only acquiring savings from rural but also converting through investment. A well investment plan has been taken to convert all the available money into profitable investment. Finally in 2012 RRB having the total investment of rupees 95974.93 Crores.

Table 1.5 Accumulated Losses (in Crore)

Year	2007	2008	2009	2010	2011	2012
Accumulated Losses	2759.5	2624	2300	1813	1532	1333
Percentage Change	0.04	0.03	0.03	0.03	0.05	0.06

The accumulated loss table 1.5 reveals the operating result of RRB in terms of reduction in losses. By deducting accumulated losses yearly it can be said that the performance of RRB is astonishing. RRB had the accumulated loss of 2759.5 Crore in 2007 and it became 1333 Crores in 2012.

Each and every year it showed that reduction in total accumulated loss which means innovative strategies were used to reduce loss or increase profit .The downward slope of accumulated loss is a best positive performance indicator of RRB.

Table 1.6 Recovery performance of RRB

Year	2007	2008	2009	2010	2011	2012
Recovery%	80.49	80.84	77.85	79.12	81.18	81.6

Recovery performance of RRB is shown in the Table 1.6 resulting that an average of 80% loan and advances were recovered by RRB during 2007 to 2012 period. It indicates the operating proficiency and stability. RRB achieved the higher recovery rate of 81.60 % in 2012 followed 81.18 %

in 2011. The recovery performance never comes down of 77.85 %, and from the evidence it ensures a well admissible credit recovery regulations were followed in these years. And this recovery position will also help in money management.

Table 1.7 Net worth (in Crore)

Year	Net Worth	% Change
2007	4526.48	12.89
2008	6107.37	34.93
2009	8610.31	40.98
2010	10256.13	19.11
2011	12306.53	19.99
2012	15129.41	22.94

Net worth is another performance indicator and here in the Table 1.7 profitable position of RRB has extracted. In 2007 net worth was rupees 4526.48 Crore and after only 5 years in 2012 it become the net worth of 15129.41 Crore. RRB shows highest net worth of 40% increase in 2009 were they had net worth of 8610.31Crores. In 2012 they attained net worth of 15129.41Crore. A progressive impact in net worth can be analyzed in the figure, which shows the profitability of RRB during period of 2007 to 2012.

Rural Development) from 2007 to 2012 study has completed. Different financial performance indicators like No. of Branch, Networks, Reserves, Deposits, Investments, Accumulated Losses, Recovery Performances and Net worth have been taken in consideration. Simple Percentage variation analysis is used to evaluate the changes from the preceding year. After considering all major financial performance indicators for analysis, it has found that Regional Rural Banks of India had made a significant progressive impact during this period by resulting in Progressive branch expansions, well adequate precautionary position of reserves, status of accumulated increased investment, reduction in accumulated losses, keeping satisfactory recovery performance and well progressive net worth. It can be conclude that well maintained efforts have been taken on regular basis by RRB and they

Conclusion

The Study is an attempt made on the performance analysis of Regional Rural Banks in India for the last ten years. Based on the secondary data which are collected from the annual reports of the NABARD (National Bank for Agriculture and

achieved a higher progressive performance. The study done under the limitation of analysis only on seven performance indicators and there are different indicators available, most relevantly author preferred indicators are only considered for this study. The study also direct a further area by adding more relevant information from annual report of RBI (Reserve Bank of India) to check the performance and contribution made by Regional Rural Banks in the economic development of India.

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