

Banking Sector Reforms with Special Reference to Growth Performance of Regional Rural Banks (RRBs) in India

Miss. K. Venkata Lakshmi^[a] & Prof. M. Chandraiah^[b]

Abstract

The researcher had made a modest attempt in this article to understand the existing literature on banking sector reforms and to assess the branch expansion; number of districts covered and deposit mobilization of Regional Rural Banks (RRBs) in rural India. In developing countries like India, the majority of population was live in rural areas only. Basically, the rural people have been living in the atmosphere of economically poor, poor literacy, more unemployment. After independence of India, the rural development programme was become as a target attraction of reforms introduced by the government of India. Rural development is necessary for developing the country through economic development of rural people. RRBs were setup in year 1975 with the prime motive of providing financial credit to rural people for crop production and allied purposes to access the rural credit. A restructuring committee under the chairmanship of A.V. Sarsesai 2005 revisited the issue of improving the operational viability of RRBs by merging of RRBs of the same sponsored banks in the same state and merging of RRBs which sponsored by various banks in the same state. The committee viewed that the change in sponsored banks may in some cases helps in improving the performance of RRBs. A change in sponsorship may improve the establishment of competition, work culture, efficient management of concerned RRBs. The amount of deposit mobilization was highly increased. It shows the good growth performance of RRBs for providing better banking services to rural people.

Keywords: Banking Reforms, RRBs, Rural People, Banking Services, Branch Expansion, Deposits Mobilisation.

^[a]Miss. K. Venkata Lakshmi,

Research Scholar,
Dept. of commerce,
Sri Venkateswara University Post Graduate
Centre,
Kavali, Nellore, A.P., India – 524 201.
e-mail: lakshmikvphd@gmail.com,
Mobil (0) 9491939255

^[b]Prof. M. Chandraiah,

Professor, Dept. of Commerce,
Sri Venkateswara University Post Graduate
Centre,
Kavali, Nellore, A.P., India – 524 201.

1. Introduction

The researcher had made a modest attempt in this article to understand the existing literature and to assess the branch expansion; number of districts covered and deposit mobilization of Regional Rural Banks (RRBs) in rural India. In developing countries like India, the majority of population was live in rural areas only. Basically, the rural people have been living in the atmosphere of economically poor, poor literacy, more unemployment. After independence of India, the rural development programme was become as a target attraction of reforms introduced by the government of India. Rural development is necessary

for developing the country through economic development of rural people. RRBs were setup in year 1975 with the prime motive of providing financial credit to rural people for crop production and allied purposes to access the rural credit. RRBs are very essential for economic growth particularly, economically poor people in rural area to undertake entrepreneurship with providing needful credit facilities. However, with the response of the financial reforms, the Indian banking system has moved to away from the conditions and compulsions that prevailing the advent of RRBs in 1975. In this context, the commercial banks are emerged as the most crucial factor in in deciding the role in emerging modern economic scenario. A restructuring committee under the chairmanship of A.V. Sarsesai 2005 revisited the issue of improving the operational viability of RRBs by merging of RRBs of the same sponsored banks in the same state and merging of RRBs which sponsored by various banks in the same state. The committee viewed that the change in sponsored banks may in some cases helps in improving the performance of RRBs. A change in sponsorship may improve the establishment of competition, work culture, efficient management of concerned RRBs.

Establishment of bank branches are need for providing the banking services to the rural people. Since RRBs establishment, various bank branch licensing policies emphasized on the opening of more number of new branches in rural India which were neglected and not having banking services. Now a day, RRBs are allowing the conversion of loss making branches into satellite of mobile offices which not impairer he performance of banking service obligations. As against the previous policy of opening of more branches, RRBs are permitting to merge or shut down the unviable branches and license is almost at par with the commercial banks. Hence, the number of RRBs and branches of RRBs are declining from the year of 2005 onwards.

2. Research Methodology

2.1. Objectives of the study

The following are the main motives of the present research paper.

- 1) To review the existing literature
- 2) To examine the growth and deposit mobilization of RRBs in India

2.2. Period of the study

For the performance evaluation of growth and development of RRBs, a moderate study period of 5 years was considered which is commencing from 2009-10 to 2013-14.

2.3. Data base

The present study has been obtained from the secondary data only. The data have been collected from the published and unpublished reports of the Reserve Bank of India (RBI), National Banks for Agricultural and Rural Development (NABARD), National Institution of Rural Development (NIRD), annual reports, district credit plans, journals and magazines were referred.

2.4. Tools of analysis

For analyzing the collected data, growth rates, averages and statistical tools like standard deviation, co-efficient of variation and t-test are used using SPSS Package.

2.5. Limitations of the study

Due to the time constraint, economic and data availability reasons, the period of study was bounded to only for five years.

3. Growth and development of RRBs

A perusal of table 1 reveal that the expansion of RRBs in India during the study period. The number of registered RRBs has gradually declining trend from 82 in the years 2009-10, to 57 in 2013-14; in detail, column 2 of the table 1 shows that during the period of 2009-10 to 2011-12 the number of RRBs 82 is constant and highly declined to 64 in 2012-13 and 57 in 2013-14 respectively; the number of branches established was increased from 15303 to 19082 in an continuous increasing manner during the study and it was gradually increases year by year; number of districts covered by RRBs in India are registered in 2009-10 was 618 districts and it was progressively increased year by year and reached to 642 districts in the end year of the study 2013-14. The percentage of change in number of RRBs registered in India were not accounted during the years of 2009-10 to 2011-12 due to the number of RRBs are stable, it was registered minus 21.95 per cent and minus 10.94 per cent due to decline of number of RRBs in 2012-13 and 2013-14 respectively. In the growth of number of branches of the percentage of change were registered as increasing way from 2.32 per cent to 10.43 per cent during 2010-11 to 2012-13 and declined to 6.87 per cent; the number of districts covered by the RRBs in India has the tremendous fluctuations in percentage of changes between the least of 0.32 per cent to 2.42 per cent during the study period. The statistical calculations of mean, standard deviation and co-efficient of variation (CV) were registered 73.40,12.03 and 16.39 per cent for number of RRBs existed, 16813.80, 1601.86 and 9.53 per cent for number of branches established and 627, 10.82 and 1.73 per cent for number of districts covered by RRBs in India respectively.

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Table 1
Evaluation of branch expansion of RRBs in India

Year	No. of RRBs	No. of Branches	No. of districts covered	%age change of		
				Col. 2 (5)	Col. 3 (6)	Col. 4 (7)
2009-10	82	15303	618	--	--	--
2010-11	82	15658	620	0.00	2.32	0.32
2011-12	82	16170	620	0.00	3.27	0.00
2012-13	64	17856	635	-21.95	10.43	2.42
2013-14	57	19082	642	-10.94	6.87	1.10
Total	367.00	84069.00	3135.00			
Mean	73.40	16813.80	627.00			
SD	12.03	1601.86	10.82			
CV	16.39	9.53	1.73			

Source: 1 Annual reports of NABARD.

4. Deposit mobilization of RRBs

Mobilization of deposits is very important to banking sector for growth of their financial strength. It depends upon the saving capacity of people especially the rural people. In RRBs, the deposit mobilization has been plays a key role in empowering the rural people by establishing banking sector services as an important source for promoting savings agriculturists, business men and women empowerment.

A glance of Table 2 shows that the deposit mobilization of RRBs in India registered a tremendous growth during the study period. It was registered in the year 2009-10 as Rs. 1,42,422 crore and gradually increased year by year to Rs. 2,39,504 crore. The total amount of deposits of RRBs in India were reached to Rs. 940320 crore with an average of Rs. 1,88,064 crore during the study period. The year to year analysis of the table gives the picture of growth as registering Rs. 1,42,422 crore in 2009-10, Rs. 1,63,928 crore in 2010-11, Rs. 1,83,009 crore in 2011-12, Rs. 2,11,457 crore and Rs. 2,39,504 crore in the end year of the study of 2013-14 respectively.

Table 2
Deposit mobilization of RRBs in India (Rs. in crore)

Year	Deposits	%age of Change
2009-10	142422	--
2010-11	163928	15.10
2011-12	183009	11.64
2012-13	211457	15.54
2013-14	239504	13.26
Total	940320	
Mean	188064	
S.D	38355.57	
C.V	20.39	

Source: 1. Annual reports of NABARD.

The percentage of change in growth rates of deposits in RRBs in India was ranged from a least percentage of 11.64 per cent in 2011-12 to the highest percentage of 15.54 per cent in the year of 2012-13. The percentage of change in growth rate in deposit mobilization has been taken place of tremendous variations in year by year during the entire study period. The statistical calculations of mean, S.D and C.V value registered 188064, 38355.57 and 20.39 respectively.

5. Performance of RRBs

A glance of the Table 3 furnishes that, the development of RRBs performance in India during the study period. The column 2 of the table revealed that the investment of RRBs in India are greatly increased from Rs. 79,379.16 crore in 2009-10 to Rs. 1,10,514 crore in 2013-14 respectively and reached to the total amount of Rs. 4,74,097.39 crore with an average of Rs. 94,819.48 crore during the study period. The performance of loans and advances of RRBs in India are aggressively increased year by year from Rs. 56,079.24 crore in 2009-10 to Rs. 1,59,660 crore in the end of the year 2013-14 and its total amount were registered Rs. 5,03,087.98 crore with an average of Rs. 1,00,617.60 crore. The profitability performance of RRBs are also ranged from Rs. 2349.43 crore to Rs. 2833 crore. It was registered in 2009-10 Rs.2509.18 crore to Rs. 2833 crore in 2013-14 in a fluctuation manner reaching of total amount of Rs. 12,517.54 crore having an average profits of Rs. 2503.51 crore during the study period.

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Table 3
Performance Evaluation of RRBs in India (Rs. crore)

Year (1)	Interest on Investment (2)	Loans and Advances (3)	Profit (4)	% age of change on Profit (5)
2009-10	79379.16	56079.24	2509.18	--
2010-11	86510.44	71724.19	2349.43	-6.37
2011-12	89145.79	78546.55	2443.41	4.00
2012-13	108548.00	137078.00	2382.52	-2.49
2013-14	110514.00	159660.00	2833.00	18.90
Total	474097.39	503087.98	12517.54	
Mean	94819.48	100617.60	2503.51	
S.D	13914.24	45058.27	194.03	
C.V	14.67	44.78	7.75	

Source: Annual reports of NABARD.

Hence the percentage of change of profitability performance were registered highly (18.90 per cent) in 2013-14 and the least percentage of minus 6.37 per cent in 2010-11 in the study period. The statistical calculation of SD and CV indicates as the significant growth in interest on investment, loans and advances and profitability performance of RRBs in India during the study period respectively.

6. Conclusion

This is concluded that the branch establishment of RRBs was declined during the study period due to reducing the loss by merging of RRBs branches in sponsoring banks; the number of branches and number of districts covered was registered an increasing trend during the study period. The amount of deposit mobilization was highly increased. The percentage of change in growth rates of deposits in RRBs in India was ranged from a least percentage of 11.64 per cent in 2011-12 to the highest percentage of 15.54 per cent in the year of 2012-13. The percentage of change in growth rate in deposit mobilization has been taken place of tremendous variations in year by year during the entire study period. The statistical calculations of the table 3 reveal (SD and CV value) the significant growth in interest on investment, loans & advances and profitability performance of RRBs in India during the study period respectively. It shows the good growth performance of RRBs for providing better banking services to the rural people.

7. References

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