

Growth and Development of Regional Rural Banks in India – A Review

by

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Abstract

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. 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: RRBs, Rural People, Banking Services, Branch Expansion, Deposits.

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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.

- To review the existing literature
- To examine the growth and development of RRBs in India
- To assess 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 12 years was considered which commencing from 2001-02 to 2012-13.

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.

3. Growth and development of RRBs

A perusal of table 1 furnishes the expansion of RRBs in India during the study period. The number of registered RRBs has gradually declining trend from 196 in the years 2001-02, to 64 in 2012-13; in detail, column 2 of the table 1 during the period of 2001-02, 2002-03, 2003-04 2004-05 the number of registered RRBs are remains same and declined to 133 in 2005-06, 96 in 2006-07, 91 number of RRBs in 2007-08, 86 in 2008-09, 82 number of RRBs during 2009-10 to 2011-12 and highly declined (64 number of RRBs) in 2012-13; the number of branches established was increased

from 14486 to 17856 in fluctuation manner during the first half of the study and in second half of the study it was gradually increases year by year; number of districts covered by RRBs in India are registered in 2001-02 was 511 districts and it was progressively increased year by year and reached to 635 districts in the end year of the study 2012-13. The percentage of change in number of RRBs registered in India were stabled during the years of 2001-02 to 2004-05, it was registered between minus 32.14 per cent to minus 4.65 per cent

Table 1
 Evaluation of branch expansion of RRBs in India

Year (1)	No. of RRBs (2)	No. of Branches (3)	No. of districts covered (4)	%age change of		
				Col. 2 (5)	Col. 3 (6)	Col. 4 (7)
2001-02	196	14486	511	--	--	--
2002-03	196	14462	516	0.00	-0.17	0.98
2003-04	196	14484	518	0.00	0.15	0.39
2004-05	196	14433	523	0.00	-0.35	0.97
2005-06	133	14372	525	-32.14	-0.42	0.38
2006-07	96	14422	534	-27.82	0.35	1.71
2007-08	91	14558	594	-5.21	0.94	11.24
2008-09	86	15010	616	-5.49	3.10	3.70
2009-10	82	15303	618	-4.65	1.95	0.32
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
Mean	125.00	15101.17	569.17			
SD	54.78	1044.16	51.21			
CV	43.83	6.91	9.00			

Source: 1 Annual reports of NABARD.

2. International journal of scientific research, November 2013.

during the study period. In the growth of number of branches of the percentage of change were registered as increasing way from minus 0.17 per cent to 10.43 per cent and 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 11.24 per cent during the study period. The statistical calculations of mean, standard deviation and co-efficient of variation (CV) were registered 125, 54.78 and 43.83 for number of RRBs existed, 15101.17 1044.16 and 6.91 for number of branches established and 569.17, 51.21 and 9.00 for number of districts covered by RRBs in India respectively.

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 2001-02 as Rs. 44,328 crore and gradually increased year by year to Rs. 2,11,457 crore. The total amount of deposits of RRBs in India were reached to Rs. 12,80,892 crore with an average of Rs. 1,06,741 crore during the study period. The year to year analysis of the table gives the picture of growth as registering Rs. 44,328 crore in 2001-02, Rs. 49,779 crore in 2002-03, Rs. 55,824 crore in 2003-04, Rs. 61,425 crore in 2004-05, Rs. 70,625 crore in 2005-06, Rs. 82,058 in 2006-07, Rs. 97,343 crore in 2007-08, Rs. 1,18,694 crore in 2008-09, Rs. 1,42,422 crore in 2009-10, Rs. 1,63,928 crore in 2010-11, Rs. 1,83,009 crore in 2011-12 and Rs. 2,11,457 crore in the end year of the study of 2012-13 respectively.

The percentage of change in growth rates of deposits in RRBs in India was ranged from a least percentage of 10.03 per cent in 2004-05 to the highest percentage of 21.93 per cent in the year of 2008-09. 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, C.V and 't' value registered 128089.20, 56614.07, 53.04 and 2.17 respectively.

Table 2

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

Year	Deposits	% age of Change
2001-02	44328	--
2002-03	49779	12.30
2003-04	55824	12.14
2004-05	61425	10.03
2005-06	70625	14.98
2006-07	82058	16.19
2007-08	97343	18.63
2008-09	118694	21.93
2009-10	142422	19.99
2010-11	163928	15.10
2011-12	183009	11.64
2012-13	211457	15.54
Total	1280892	
Mean	106741	
S.D	56614.07	
C.V	53.04	
t - cal	6.53**	

Source: 1. Annual reports of NABARD.

2. International journal of scientific research, November 2013.

Note: **indicates significant at 1 per cent level.

5. Performance of RRBs

A glance of the Table 3 reveals 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 tremendously increased from Rs. 33,063.42 crore in 2002-03 to Rs. 1,10,683.47 crore in 2012-13 respectively and reached to the total amount of Rs. 673003.39 crore with an average of Rs. 61182.13 crore during the study period. The performance loans and advances of RRBs in India are aggressively increased year by year from Rs. 22,157.85 crore in 2002-03 to Rs. 1,39,837.00 crore in the end of the year 2012-13 and its total amount were registered Rs. 5,82,033.88 crore with an

average of Rs. 52,912.17 crore. The profitability performance of RRBs are also highly increased from Rs. 733.97 crore in 2002-03 to Rs. 2,382.52 crore in 2012-13 by way of fluctuation manner reaching of total amount of Rs. 17,178.96 crore having an average profits of Rs. 1,561.72 crore during the study period.

Table 3
 Performance Evaluation of RRBs in India during 2001-02 to 2012-13

Year (1)	Investment (2)	Loans and Advances (3)	Profit (4)	%age of change on Profit (5)
2001-02	NA	NA	NA	--
2002-03	33063.42	22157.85	733.97	--
2003-04	36135.40	26113.86	952.33	29.75
2004-05	36767.66	32870.03	902.60	-5.25
2005-06	41182.45	39712.57	807.79	-10.50
2006-07	45666.14	33043.49	926.40	14.68
2007-08	48559.54	38581.97	1383.69	49.36
2008-09	65909.92	43367.13	1787.64	29.19
2009-10	79379.16	56079.24	2509.18	40.36
2010-11	86510.44	71724.19	2349.43	-6.37
2011-12	89145.79	78546.55	2443.41	4.00
2012-13	110683.47	139837.00	2382.52	-2.49
Total	673003.39	582033.88	17178.96	142.73
Mean	61182.13	52912.17	1561.72	14.27
S.D	26535.80	33923.58	742.63	21.55
C.V	43.37	64.11	47.55	151.02
t - cal	6.29**	4.69**	5.98**	2.03*

Source: Annual reports of NABARD.

Note: **indicates significant at 1 per cent level, * indicate significant at 5 per cent level.

Hence the percentage of change of profitability performance were registered highly (49.36 per cent) in 2007-08 and the least percentage of minus 10.50 per cent in 2005-06 in the study period. The statistical calculation of t-value indicates as the significant growth in 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 and 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 10.03 per cent in 2004-05 to the highest percentage of 21.93 per cent in the year of 2008-09. 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 reveals (t-value) the significant growth in 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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