

Growth and Development of Regional Rural Banks in India: An Overview

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ABSTRACT

India is a village economy and without the development of rural economy the objective of economic planning cannot be achieved. In order to develop the rural economy, adequate supply of institutional credit is required and banks are considered to be vital instrument for the development of rural economy. Keeping this view in mind Regional Rural Banks were set up on the 2nd Oct. 1975. The main goal of setting up RRBs in India is to provide credit to rural people who are not economically strong enough, especially small and marginal farmers, artisans, agricultural labourers and small entrepreneurs. Against this back ground, the present study is an attempt to make an appraisal of the growth and development of RRBs as well as the role played by RRBs in the development of rural economy. The present paper is exploratory as well as descriptive in nature and is based on secondary data from Annual Reports of RBI, NABARD, various journals and websites. This paper is confined to the specific areas like growth of RRBs, deposit mobilization, loans and advances and profit position of RRBs for the period from 2007-08 to 2016-17. Mathematical tools of Descriptive Statistics like percentage, growth rates and average are used to analyse the data and to draw conclusion from this study.

Key Words : RRBs, NABARD, Rural development, Branch expansion, Deposit mobilisation

INTRODUCTION

Indian economy is rural economy and real India lies in villages. Without the development of rural economy, development of the country as a whole cannot be achieved. However, the role of rural sector was neglected by financial institutions especially by banks. The need of institutional credit was badly felt. Hence, RRBs were established in India in the year 1975 with the purpose of taking banking services to the doorsteps of rural people. The history of Regional Rural Banks in India dates back to the year 1975 and the share of central Govt., the sponsoring bank and the state Govt. is in the proportion of 50%, 15%, and 30% respectively.

Objectives of the study :

- To examine the growth and development of

RRBs in India.

- To assess the growth of deposit mobilisation of RRBs.
- To review loan and advances granted by RRBs.
- To find out the profit position of RRBs in India.
- To conclude by stating the nature of overall performance of RRBs.

Period of study :

The study covers a period of 10 years ranging from 2007 – 2008 to 2016- 2017 and it has been chosen to evaluate the growth and development of RRBs in India.

METHODOLOGY

The present paper is exploratory as well as descriptive in nature and makes use of secondary data

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only. The data have been collected from the published Annual Reports of RBI, NABARD, journals and websites. However, for the sake of convenience, the study is confined to the specific areas like growth and development of RRBs, deposit collection, loans and advances and profit position of RRBs during the period of study. In order to analyse the data collected and to draw conclusion from analysis, tools of Descriptive Statistics like percentage growth rates and average are widely used.

RESULTS AND DISCUSSION

Growth and Development of Regional Rural Banks in India :

Number of regional rural banks and their branch network play a significant role in improving the performance of RRBs. Availability of bank branch is considered as one of the most important channel of the bank and generally the most preferred channel of customer. Hence it is needed to make an effort by the banks to expand their branch network to provide an equal opportunity to all the users of bank services. The information relating to growth and coverage of regional rural banks in India is presented in Table 1.

Table 1 shows that the numbers of Regional Rural Banks are ranging from 91 to 56 representing with an average of 80 over the study period having a standard deviation and coefficient variation of 40.30 and 51.38, respectively. The significant observation is that number of RRBs registered continuous declining trend from 91 (2007) to 56 (2017) indicating their negative growth. This

phenomenon shall be endorsed to the policy measures initiated by the Government of India towards amalgamation of RRBs in sponsored banks at state level in order to give operational freedom and to improve their financial efficiency and performance.

For illustration by March 2017, RRBs of the same sponsor banks with in a State were amalgamated bringing down their number from 91 to 56. During the year 2013-14, 13 RRBs have been amalgamated into 6 new RRBs in 5 States (Chhattisgarh, Uttar Pradesh, Kerala, Karnataka and Haryana). With this, the effective number of RRBs as on 31st March, 2017 stands at 56 playing a significant role in developing agriculture and rural economy.

State-wise Spread of Regional Rural Banks in India:

RRBs are expected to ensure that the targeted rural unbanked location receives the needed credit. Hence it is required an even expansion of the activities of credit over different areas and income strata of the population by opening requisite number of branches in unbanked areas. The information relating to State-wise spread of regional rural banks and their network and coverage is given in Table 2.

Table 2 reveals that the state of Uttar Pradesh is having the highest number of RRBs (8) and number of branches 3518 covering highest number of districts (81), followed by Andhra Pradesh number of RRBs (5) number of branches (1630) and number of districts covered (23), Kamataka number of RRBs (4), Number of branches (1460) and number of district covered (30), Bihar number

Table 1 : Growth and coverage of Regional rural Banks in India

Year	No. of RRBs	Growth Rate	No. of Branches of RRBs	Growth Rate	No. of Districts Covered with RRBs	Growth Rate
2007-08	91	-6.2	14761	1.31	594	11.23
2008-09	86	-6.49	15181	2.84	617	3.87
2009-10	82	-5.65	15480	1.96	618	0.16
2010-11	82	0	16001	3.36	620	0.32
2011-12	82	0	16909	5.67	638	2.9
2012-13	64	-22.97	17861	5.63	635	0.47
2013-14	57	-11.84	19082	6.84	642	1.1
2014-15	56	-1.7	19964	4.6	642	0
2015-16	56	0	20342	1.84	648	0.93
2016-17	56	0	20924	2.86	648	0
Mean	80	-13.02	16927.15	3.12	606.38	2.7
SD	40.3	13.17	1960	2.06	45.89	3.7
CV	51.38	-101.31	9.01	75.73	8.17	141.56

Source: NABARD, Key Indicators of RRBs for the Year-2017

of RRBs (3) number of branches 1718 and number of districts covered 38), Madhya Pradesh (number of RRBs 3, number of branches (1132) and number of district covered (50) Rajasthan number of RRBs (3) number of branches (1157) and number of district covered (36). From the above, it is evident that six states (Uttar Pradesh, Andhra Pradesh, Karnataka Bihar, Madhya Pradesh, Rajasthan) are enjoying the lions share with highest number of RRBs (more than 50%) covering more number of district with their widen branch network. It is interesting to observe that the share of North Eastern states Manipur, Meghalaya, Mizoram Nagaland, Tripura, Arunachal Pradesh, is insignificant in terms of number of RRBs, number of branches, and districts covered. The striking observation is that such states are having only one RRB with least number of branches, where as the

state of Nagaland has only 10 branches. It is the clear indication of the imbalance in the growth of RRBs where the prominent backward areas have been given least priority in providing banking facilities. It reveals the failure of RRBs to cater the credit needs of the backward areas.

Deposit Mobilisation of RRBs in India:

Deposit mobilization is one of the important functions of a bank. An adequate amount of deposit mobilization will ensure the banks to discharge the function of lending and investment on which the expansion of bank depends. The information relating to deposit mobilization of RRBs is shown in Table 3.

Table 3 shows that the mobilizations of deposit of RRBs in India registered an increasing trend during the study period. The deposit mobilization was registered in

Table 2 : State-wise Spread of Regional Rural Banks and their Network and Coverage at the end of March- 2017

Sr. No.	Name of the State	Number of RRBs	Number of Branches	Number of Districts covered
1.	Andhra Pradesh	4	1642	23
2.	Arunachal Pradesh	1	30	8
3.	Assam	2	428	27
4.	Bihar	3	1718	38
5.	Chhattisgarh	3	555	28
6.	Gujarat	3	529	26
7.	Haryana	2	507	23
8.	Himachal Pradesh	2	188	12
9.	Jammu &Kashmir	2	323	26
10.	Jharkhand	2	442	24
11.	Karnataka	3	1460	30
12.	Kerala	2	506	15
13.	Madhya Pradesh	3	1132	50
14.	Maharashtra	2	645	33
15.	Manipur	1	28	9
16.	Meghalaya	1	76	7
17.	Mizoram	1	71	8
18.	Telangana	2	92	7
19.	Nagaland	1	10	5
20.	Orissa	2	901	30
21.	Pondicherry	1	30	2
22.	Punjab	3	311	24
23.	Rajasthan	3	1157	36
24.	Tamilnadu	2	374	31
25.	Tripura	1	133	8
26.	Uttar Pradesh	8	3518	81
27.	Uttaranchal	1	237	13
28.	West Bengal	3	921	18
	Total	56	17856	635

Source NABARD, Key Indicators of RRBs for the Year-2017

Table 3 : Trends in Deposit Mobilization of RRBs in India (Rs. in crore)

Year	Deposit (Rs. in crores)	Percentage of change over the previous year
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
2013-14	239494	13.25
2014-15	271329	13.29
2015-16	315098	16.11
2016-17	313499	-00.49

Source: The annual Reports of NABARD from 2007-2017

Note: Amounts of Rs. are in crores

the year 2007-08 as Rs 97,343 crore and gradually increased year by year to Rs. 313499 crore. The year to year analysis of Table 3 gives the picture of growth as registering Rs. 97343 crore in 2007-08, Rs 118694 crore in 2008-09, Rs. 142422 crore in 2009-10, Rs 163928 crore in 2010-11, Rs 183009 crore in 2011-12, Rs. 211457 crore in 2012-13, Rs 239494 crore in 2013-14, Rs 271329 crore in 2014-15, Rs 315048 crore in 2015-16 and Rs. 313499 crore in the end year of the study period.

The percentage of change in deposits in RRBs in India reached the highest level of 21.93 in the year 2008-09 and there were tremendous variations in the percentage of change in of deposit mobilization in year by year during the study period.

The percentage of change in growth rates of deposits in RRBs in India reached the highest level of 21.93 in the year 2008-09 and there were tremendous variations in the percentage of growth rates of deposit

Table 4 : Loans and Advances sanctioned by RRBs (Rs. in crore)

Year	Loans and Advances (Rs. in crores)	Percentage Change over the previous year
2007-08	48492.6	21.64
2008-09	58984.3	14.95
2009-10	67802.1	21.27
2010-11	98917.4	20.31
2011-12	116385	17.66
2012-13	137078	17.78
2013-14	159706	16.47
2014-15	184843	17.44
2015-16	207936	19.43
2016-17	206538	18.52

Source: The annual Reports of NABARD from 2007-2017

Note: Amounts of Rs. are in Crores

mobilization in year by year during the study period .

Loans and Advances sanctioned in India :

Lending money to business and to the needy and poor individuals is a basic function of banks. Granting loans and advances is the basic indicator of performance of RRBs in India and it shows the availability of banking sector services to the rural people. The information i.r.o. loans and advances by RRBs is given in Table 4.

Table 4 reveals that the performances of RRBs in granting loans and advances increased year by year from Rs. 48492.6 crore in 2007-08 and reached the highest figure of Rs. 207936 crore in the year 2015-16 and in the years 2016-17 the performance experienced a fall in loans and advances in absolute terms. The percentage change in loans and advances by RRBs was maximum in the year 2009-10 and fluctuated in the remaining years of the study period.

Table 5: Profit Position of RRBs in India (Rs. in crore)

Year	Indicators					
	No. of RRBs	RRBs in Profit	Amount of Profit	RRBs in Loss	Amount of Loss	Net Profit (Rs.)
2007-08	91	82	1383.69	8	55.58	1328.11
2008-09	86	80	1823.55	6	35.91	1787.64
2009-10	82	79	2514.83	3	5.65	2509.18
2010-11	82	75	2420.75	7	71.32	2349.43
2011-12	82	79	1886.15	3	28.87	1857.28
2012-13	64	63	2275	1	2.07	2272.93
2013-14	57	57	2833	0	0	2833
2014-15	56	59	3211	0	21.4	2459.43
2013-16	56	69	3916	0	22.3	1937.28
2016-17	56	79	4315	0	25.1	2392.93

Source: The annual Reports of NABARD from 2007-2017 Note: Amounts of Rs. are in Crores

Profit Position of RRBs in India:

Table 5 demonstrates that the amount of profit of RRBs is swelling from 1328.11 crores to 2833 crores and the number of RRBs was reduced from 91 to 57 (2014). It is the clear indication that more than 85 percent of RRBs are operating on profitable line. It is also observed that there is a decline in the number of RRBs over the years due to the process of amalgamation and there has been an increase in the amount of profit of RRBs. It can be inferred that the process of amalgamation has enabled the RRBs to improve their profitability position. It is also significant to witness that the number of loss making RRBs has decreased from 30 to nil.

Conclusion:

From the above, it is observed that the number of RRBs registered a continuous decline in trend from 91(2007-08) to 56 (2016-2017) showing negative growth of RRBs. Moreover, the number of RRBs, the number of branches covered and the districts covered in North Eastern states like Manipur, Meghalaya, Mizoram, Nagaland etc. are not adequate and significant. It shows the regional imbalance in the growth of RRBs .It further highlights the failure of RRBs to cater to the credit needs of backward areas. However, the deposit mobilization has increased to the larger extent. The performance in the field of loans and advances as well as profit position of RRBs is bright and it is due to better banking services

to people. Despite that, we can say in consideration of the regional imbalance in growth of RRBs that the Govt. should open requisite number of branches in unbanked areas to provide more banking services to all without making any loss in banking industry.

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