REGIONAL RURAL BANKS IN MAHARASHTRA STATE - PERFORMANCE EVALUATION OF REGIONAL RURAL BANKS OF MAHARASHTRA STATE USING COMPOSITE METHOD

Suneet Sureshchandra Kopra, Dr Anurag Shrivastava
Research Scholar , Singhania University, Pacheri Bari, Jhunjhunu, Rajasthan State ,India
(PhD , MBA Marketing) , D Y Patil University School of Management , Navi Mumbai.

***ABSTRACT:** The Regional Rural Banks were established "with a view to developing the rural economy by providing, for the purpose of development of agriculture, trade, commerce, industry and other productive activities in the rural areas, credit and other facilities, particularly to small and marginal farmers, agricultural labourers, artisans, and small entrepreneurs and for matters connected there with and incidental thereto". The necessity of rural finance was felt to provide protection & reliance to rural people who rely highly on informal source of finance like moneylenders, landlords & traders etc. but they exploit farmers and small entrepreneurs by charging exorbitant rate of interest & force farmers to sell their product at low price to them. Rural people also face the risk of unpredictable production of crops due to high dependency on monsoon. The problems of finance suffer from lack of seeds, fertilizers, water supply and other facilities which lead to rural ineptness.*

Rural bank are providing finance to the weaker sections of society like small farmers, rural artisans, small producers, rural labourers etc, to provide finance to cooperative societies, primary credit societies, Agricultural marketing societies, Enhance & Improve banking facilities to semi urban, rural& other untapped market. The Regional Rural Banks help the rural people to come out from the financial problems and secured the financial assistance to agriculture in India.

The study concentrated on Vidharbha Gramin Bank and Maharashtra Gramin Bank situated in Maharashtra to provide financial support to agriculture and performance of the bank in various Identified potential areas. This bank focused on the rural development, reaching the uncovered and being farmer friendly.

Keywords : RRB, Rural India , Economic development , Rural Economy, NABARD

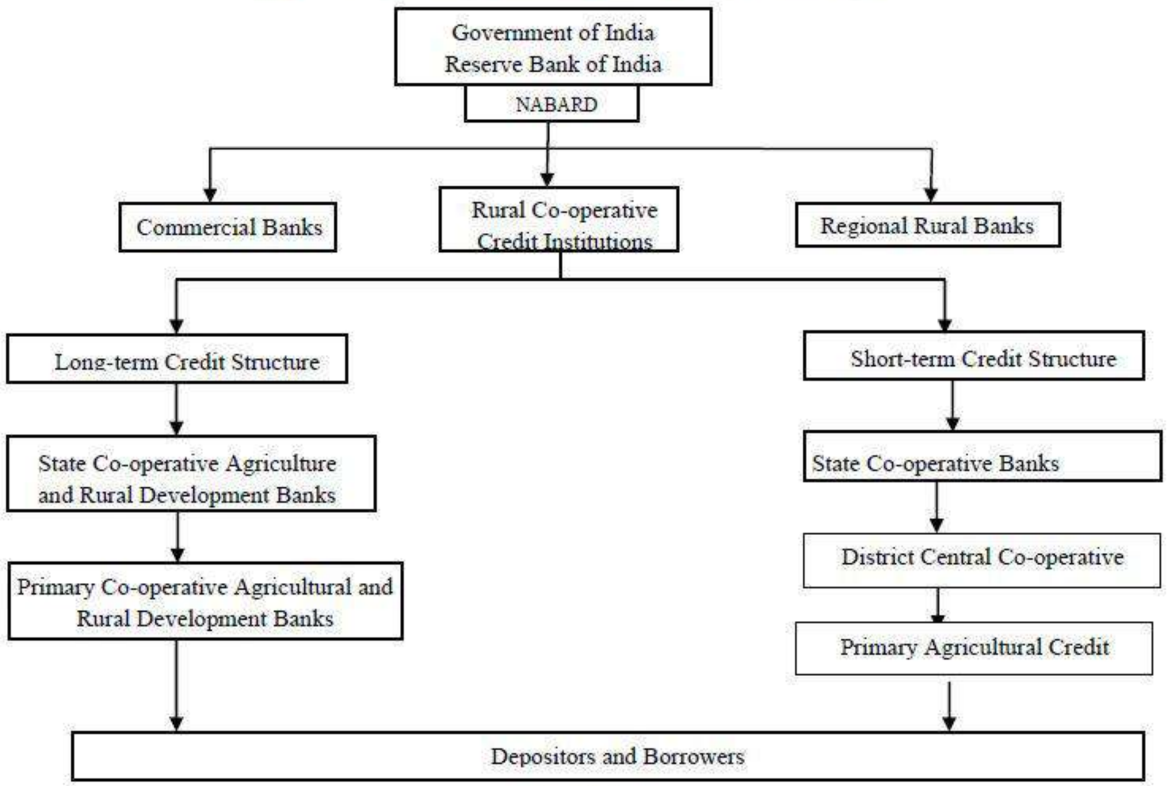
INTRODUCTION - REGIONAL RURAL BANKS IN INDIA :

Regional Rural Banks were established under the provisions of an Ordinance passed on 26 September 1975 and the RRB Act, 1976 to provide sufficient banking and credit facilities for agriculture and other rural sectors. These were set up on the recommendations of The Narasimham Working Group during the tenure of Indira Gandhi's government with a view to include rural areas into economic mainstream since that time about 70% of the Indian Population was of Rural Orientation. The development process of RRBs started on 2 October 1975 with the forming of the first RRB i.e. the Prathama Bank. Also on 2 October 1975 five regional rural banks were set up with a total authorised capital of 100 crores, which later increased to 500 crores. The Regional Rural Banks were owned by the Central Government , the State Government and the Sponsor Bank who held shares in the ratios of 50% - 15% - 35%.

The following are major functions of these rural financial institutions:

- To take banking to the doorsteps of the rural masses particularly in areas without banking facilities.
- To mobilize rural savings and canalize them for supporting productive activities in the rural areas.
- To make available cheaper institutional credit to the weaker sections of society, (who are to be the only clients of these banks?).
- To generate employment opportunities in the rural areas.
- To bring down the cost of providing credit in rural areas.
- To encourage small business and rural artisans.

FIGURE: STRUCTURE OF AGRICULTURAL CREDIT SYSTEM IN INDIA



Source: RBI

The number of RRB in India as on 31st March 2016 were 56, with a network of 19000+ branches covering 642+ districts in 26 states and UT of Puducherry and 120 Million customers.

Under PMJDY RRBs opened 23.7 million A/Cs churning Rs 1700 crore in banks.

Research Methodology:

The required data of the selected bank for a period of FY 2013-16 have been collected from the respective Banks Finance , Planning , Treasury and Recovery departments , published audited annual reports by the bank. So, collected data analyzed with help of statistical tools to understand the achievement done against the target assigned to RRB by their respective sponsor bank.

Limitations of the Study :

- Period of Study : FY 2013-2016 (Last 3 FYs) .
- Only some of key performance indicators are considered. But, however, other indicators can be covered in future research work.

Indian financial system has passed through second generation reforms by giving emphasis on individual up gradation, strengthening internal system, attention to different prudential norms like capital adequacy, containment of NPA and systemic improvements towards effecting credit delivery system. It can be done only through proper supervisory and regulatory mechanism. The CAMEL Methodology has been developed and practiced by the North American bank regulators to assess the financial and managerial soundness of US commercial banks. Subsequently Basel committee on banking supervision (BCBS) has been created in 1974 and they also accept the CAMEL as uniform financial institution rating system to evaluate and monitor the banks. In India is adapting the Basel I & II norms in total so has to ensure the better financial standing of own banks & financial Institutions.

Composite Ratio Analysis of RRBs of Maharashtra State

Ratio-analysis is a concept or technique which is as old as accounting concept.Financial analysis is a scientific tool. It has assumed important role as a tool for appraising the real worth of an enterprise, its performance during a period of time and its pit falls.

Financial analysis is a vital apparatus for the interpretation of financial statements. It also helps to find out any cross-sectional and time series linkages between various ratios. Unlike in the past when security was considered to be sufficient consideration for banks and financial institutions to grant loans and advances, nowadays the entire lending is need-based and the emphasis is on the financial viability of a proposal and not only on security alone. Ratio analysis means the process of computing, determining and presenting the relationship of related items and groups of items of the financial statements. They provide in a summarized and concise form of fairly good idea about the financial position of a unit. They are important tools for financial analysis.

4.3.1 Limitations of financial ratio analysis

1.Many ratios are calculated on the basis of the balance-sheet figures. These figures are as on the balance-sheet date only and may not be indicative of the year-round position. Ratios may be misleading, if they are based on false or window-dressed accounting information.

2. It gives current and past trends, but not future trends.
3. Impact of inflation is not properly reflected, as many figures are taken at historical numbers, several years old.
4. There are differences in approach among financial analysts on how to treat certain items, how to interpret ratios etc. Ratios are tools of quantitative analysis, which ignore qualitative points of view.
5. The ratios are only as good or bad as the underlying information used to calculate them.

Composite Ratios :

In the present study following composite ratios are calculated, analyzed and interpreted with reference to regional rural banks of Maharashtra State for post-merger period FY 2013 to 2016. Composite ratios refers to the ratios of deposits, advances, investments, borrowings, operating expenses, incomes, liabilities and average working fund which are not discussed in CAMEL model. The ratios are classified in to eight parameters to highlight the performance of that particular parameter. Some of the ratios of particular parameter were discussed in CAMEL model and some of other ratios are included in these parameters for in-depth study.

For performance evaluation of the related parameter, the average ratio of the study period has taken as base. On the basis of the average ratios, the ranks were assigned to the bank. To make overall analysis of the parameter, the rank based performance analysis Table and rank based barometer charts were used. In some ratios, the data of pre-merger period was not available hence the ratio of the year 2006 was not available. SGB could not worked for whole year of 2006 hence, the financial statements was prepared for that particular period which affected to the average ratio of 2006 and average ratio of SGB which finally affected to the average ratio of Gujarat region. Besides that all advantages and limitations of ratio analysis were applicable to the analysis and interpretation of ratios of regional rural banks of Gujarat state. The list of the parameters used for in-depth analysis with composite ratios is stated below

Composite Ratio Analysis	
Deposits	1. Cash – Deposit Ratio
	2. SLR Investments to Deposit Ratio
	3. Demand & Savings Bank Deposits to Total Deposits Ratio
	4. Cost of Average Deposit Ratio
Advances	1. Priority Sector Advances to Gross Advances Ratio
	2. Return on Average Advances
	3. Secure Advances to Gross Advances Ratio
Working Fund	1. Operating Cost to Average Working Fund Ratio
	2. Burden to Average Working Fund Ratio
	3. Cost of Average Working Funds
	4. Return on average advances adjusted to Cost of Funds
	5.Return on average investments adjusted to Cost of Funds
Income	1. Burden to Interest Income Ratio
	2. Wage Bill to Total Income Ratio
	3. Cost-Income (Efficiency) Ratio
Investments	1. Return on SLR Investments
	2. Return on Non-SLR Investments
Operating Expenses	1. Wage Bill to Operating Expense Ratio
	2. Burden Ratio

Liabilities	1. Deposit to Total Liabilities Ratio
	2. Cost of Interest Bearing Liabilities

Borrowings	1. Cost of Average Borrowings

1. "Deposit" Ratios

[1] Cash – Deposit Ratio

Cash-Deposit ratio referred to the proportion of cash retained by the bank from the deposits received. It is known as "Cash Reserve Ratio" (CRR) for which RBI has issued guidelines for different rates time to time. In present study, balance of cash and balance of deposits are considered for single period which are stated in financial statements of the bank.

It is important to recall that these balances are a component of RBI's reserve money and is like cash. It helps to understand that how much cash maintain with RBI for each rupee of deposit bank accept.

Table 1.01: Statement showing Cash - Deposit Ratio (CDR) (in %)

Financial Years	**VKGB**	**MGB**	**Mean**
2013-14	6.04	5.72	5.88
2014-15	5.43	5.51	5.47
2015-16	5.26	5.03	5.15
Mean	5.58	5.42	5.50

(Source : Annual reports of VKGB and MGB , NABARD reports)

In the opinion of the above data it was noticed that RBI has declared different rates of CRR during the study period and by taking overview of the CRR ratio of all three banks of the study period it was examined that normal variation was recorded more or less of the CRR rates provided by RBI and the ratios of both the RRBs. The average ratio of the study period of VKGB was more than other MGB because during the period of study, the ratio of VKGB was more than the ratio maintained by MGB. The average ratio of the study period of Maharashtra region stood at 5.50%.

[2] SLR Investments to Deposit Ratio

Every bank is required to maintain at the close of business every day, a minimum proportion of their Net Demand and Time Liabilities (sum of demand and time deposits of banks with public and other banks wherein assets with other banks is subtracted to get net liability of other banks) as liquid assets. The ratio of liquid assets to demand and time liabilities is known as Statutory Liquidity Ratio (SLR). RBI is empowered to increase this ratio up to 40%. An increase in SLR also restricts the bank's leverage position to pump more money into the economy. This is calculated as average investments in government Securities and other approved securities to average deposits. This helps to understand that how much of the deposit is being invested in fixed income securities.

Table 1.02 : Statement showing ratio of SLR Investments to Deposit Ratio (in %)

Financial Years	VKGB	MGB	**Mean**
2013-14	24.88	32.74	28.81
2014-15	26.86	37.28	32.07
2015-16	27.11	34.12	30.62
Mean	26.28	34.72	**30.5**

(Source : Annual reports of VKGB and MGB , NABARD reports)

Table 1.03 : Statement showing ratio of Credit - Deposit (CD) Ratio (in %)

Financial Years	VKGB	MGB	**Mean**
2013-14	70.56	70.12	70.34
2014-15	69.12	71.86	70.49
2015-16	73.86	71.54	72.7
Mean	71.18	71.17	71.18

(Source : Annual reports of VKGB and MGB , NABARD reports)

In relation to the rates of SLR investments issued by RBI and the SLR ratio maintained by bank, it was noticed that both the banks have maintain the minimum ratio required. In fact both these banks has invested more amount of deposits in SLR investments may be for the reason to get fixed income of interest. On the other hand, it should be keep in mind that more investment in SLR securities reduced the opportunity for advances which can yield interest more than the interest on SLR securities. Besides that, the prime objective of RRBs to reach to rural mass by providing them advances. In this case, more investment in SLR securities has minimized the advantage of interest on advances which affected on the profitability of the bank. The average ratio of MGB was more than VKGB because it has invested more amounts of deposits in SLR investments. By taking view of C/D ratio it was observed that even if more average ratio of SLR investments to deposits of VKGB, it has advanced more than MGB. The average ratio of SLR investments to deposits of both the banks was close to each other but VKGB has advanced more while MGB banks could not made more advances hence the remaining fund which was idle and may be bank has invested this fund in to balance with other banks and money at short call notice which may be one of the reason of increase in the share of balance with other banks and money at short call notice.
The average ratio of the study period of Maharashtra region stood at 30.50%.

[3] Demand & Savings Bank Deposits to Total Deposits

Demand and savings bank deposits are low cost deposits for the bank. A high ratio indicates that a higher portion of the bank's deposits come from current and savings accounts. This means that the bank is getting money at low cost, since no interest is paid on the current accounts and the interest paid on savings account is usually low. Current and Saving Accounts are demand deposits and therefore pay lower interest rates compared to term deposits where the rates are higher. Thus higher ratio means that more of the money deposited in the bank at lower cost.

Table 1.04 : Statement showing ratio of Total Deposits to Demand & Savings Deposits (in %)

Financial Years	**VKGB**	**MGB**	**Mean**
2013-14	62.51	64.27	63.39
2014-15	55.74	58.34	57.04
2015-16	51.73	53.52	52.63
Mean	56.66	58.71	**57.69**

(Source : Annual reports of VKGB and MGB , NABARD reports)

Pursuant to the analysis of deposits, it was found that the ratio of low cost deposits to total deposits of VKGB was 62.51% in 2014 which was declined to 55.74% in FY 2015 and further declined to 51.73% in 2016 because of the proportion of term deposits was reduced. It started to fall down due to improvement in the term deposits to total deposits which were more than 50% during the study period.

The ratio of BGB was 64.27% in 2014 which then started to decline constantly with the year 2015 to 58.34% and to 53.52% in FY 2016 because of constant improvement in the ratio of term deposits to total deposits.

The average ratio of VKGB was lowest compare to MGB which indicates that VKGB got more money at low cost which helped the bank for improvement in profitability.
The average ratio of the study period of Maharashtra region stood at 57.69%.

[4] Cost of Average Deposit Ratio

This ratio indicates the degree of interest paid on average deposits mobilized by the bank. Average deposit arrived by monthly / weekly average of the deposits accepted by the bank. Average deposits comprised of low cost deposits like demand deposits, savings deposits etc., and term deposits which are accepted by the bank for more than one year. The changes in the ratio of cost of average deposits affected by the combination of term deposits and low cost deposits as well as the different rates on such deposits offered by the bank time to time.

Table 1.05: Statement showing ratio of Total Deposits to Interest Expended (in %)

Financial Years	**VKGB**	**MGB**	**Mean**
2013-14	5.73	5.83	5.78
2014-15	6.31	6.33	6.32
2015-16	6.48	6.24	6.36
Mean	6.17	6.13	6.15

(Source : Annual reports of VKGB and MGB , NABARD reports)

Table 1.06 : Statement showing % of Growth in Interest Paid and % of growth of Average Deposits (in %).

Along with the statement presented above indicates that cost of average deposits of VKGB was 5.73% in 2014 It was improved in next two years because of more growth of interest against growth rate of average deposits. The ratio was 6.31% in FY 2015 and 6.48% in FY 2016.
The ratio of cost of average deposits of MGB was 5.83% in 2014 which was reached to 6.33% in 2015 with the reason of increase in interest paid against the growth rate of average deposits. It marginally dropped to 6.24% in FY 2016.
The average cost of average deposits of the study period of MGB was lowest compare to VKGB may be for the grounds of adequate deposit mix or different rates on deposits or the growth rate of deposits. Whatever reason may be, the bank was able to reduce its cost of average deposits.

The average cost of average deposits of Maharashtra region of the study period stood at 6.15%.

Table 4.2.1: Rank Performance Analysis of "Deposit" Ratios.

Table 4.2.1: Rank Performance Analysis of "Deposit" Ratios.			
Sr No	Premeditate Ratios	Ranks	
		VKGB	MGB
1	Cash – Deposit Ratio	1	2
2	SLR Investments to Deposit Ratio	2	1
3	Demand & Savings Bank Deposits to Total Deposits	2	1
4	Cost of Average Deposit Ratio	1	2
Total of the Ranks on First Position		2	2

According to the rank performance analysis it was noticed that VKGB and MGB each has got first position having two ratios out of the total four ratios of deposits. It can be said that the performance of VKGB and MGB was significant from the view point of deposit ratios.

2. "Advances" Ratios

[1] Priority Sector Advances to Gross Advances

Priority sector refers to those sectors of the economy which may not get timely and adequate credit in the absence of this special dispensation. Typically, these are small value loans to farmers for agriculture and allied activities, micro and small enterprises, poor people for housing, students for education and other low income groups and weaker sections. Priority Sector includes the following categories: (i) Agriculture (ii) Micro and Small Enterprises (iii) Education (iv) Housing (v) Export Credit (vi) Others. As per the RBI guidelines the RRBs should make advances to priority sector at least 60% from their total advances. The ratio of priority sector advances to gross advances indicates how bank reached efficiently to rural mass with the help of priority sector advances.

Table 1.07 : Statement showing ratio of Priority sector advances to Gross Advances. (in %)

Financial Years	**VKGB**	**MGB**	**Mean**
2013-14	88.15	93.43	90.79
2014-15	88.61	91.28	89.95
2015-16	90.34	90.71	90.52
Mean	89.03	91.81	90.42

(Source : Annual reports of VKGB and MGB , NABARD reports)

Table 1.08 : Statement showing ratio of Non - Priority sector advances to Gross Advances. (in %).

Financial Years	**VKGB**	**MGB**	**Mean**
2013-14	11.85	6.57	9.21
2014-15	11.39	8.72	10.05
2015-16	9.66	9.29	9.48
Mean	10.97	8.19	9.58

(Source : Annual reports of VKGB and MGB , NABARD reports)

Above ratio indicates that the priority sector advances of VKGB was 88.15% in 2014 and tends to constant increase during the study period because of bank has reduced the proportion of non-priority sector advances to gross advances. The ratio of VKGB was remains Table in the range of 88.15% to 90.34% during the period of study.the average ratio of VKGB was 89.03%.

During the period of study, the ratio of MGB was 93.43% which declined to 91.28% in 2015 due to huge improvement in the ratio of non-priority sector advances. It was jumped to 90.71% in 2016 due to huge variations in the ratio of non-priority sector advances to gross advances. It was noticed that even if there were more ups and downs in theratio, both the banks has worked effectively in priority sector lending because it was above the 60%. The average ratio of MGB was 91.81% which was more than VKGB because of constant improvement in the ratio with normal variation of decline while MGB intended in non-priority sector in last couple of years.

The average ratio of Maharashtra region stood at 90.42% of the study period.

[2] Return on Average Advances

Return on average advances indicates the efficiency of bank to generate the interest income from the average advances. Advances includes different schemes of advances for different purposes on which different rates are applicable time to time by the bank to boost the advances hence return on average advances affected by growth of advances, different rates of advances for different purposes and combination of short term and long term loan in the advances portfolio of the bank.

Table 1.09 : Statement showing ratio of Interest earned on Advance to Average Advances (in %).

Financial Years	**VKGB**	**MGB**	**Mean**
2013-14	10.93	10.42	10.67
2014-15	10.64	10.48	10.56
2015-16	10.76	11.03	10.90
Mean	10.78	10.65	10.71

(Source : Annual reports of VKGB and MGB , NABARD reports)

Return on average advances of VKGB was laid between 10.64% to 10.93% during the period of the study. It was declined in FY 2015 which reflected in the reduction in the growth rate of interest. It was improved in 2016 because of interest grown largely over the growth rate of average advances.

The return of average advances of MGB was excellent and constantly improved during the period of study because of good growth of interest over the growth rate of average advances.It was 10.42% in FY 2014 and grown till 11.03% in FY 2016.

By taking average ratio as base, the ratio of return on average advances of VKGB was highest compare to MGB. The average ratio of Maharashtra region stood at 10.71% of the study period.

[3] Secure Advances to Total Advances :

A secure advance means the advances made by bank against those assets whose market value is higher than the amount of advances at any time during the loan period. Secure advances provide absolute safety to the banker by means of creating a charge on the assets offered by the borrower in favor of the banker. By creating charge the banker acquires rights in the assets offered by the borrower as security. Higher ratio is preferred by the banks because it creates the safety against the amount of advances. It reduces the risk of nonpayment of advances. Unsecured advances on the other hand, the advances made by the bank on which no securities are associated. Unsecured advances are quite risky and banks do not advanced unsecured advances to the great extent.

Table 1.10: Statement showing ratio of Secured advances to gross Advances. (In %).

	VKGB	MGB	**Mean**
2013-14	96.33	96.10	96.22
2014-15	87.37	95.90	91.63
2015-16	96.23	96.33	96.28
Mean	93.31	96.11	**94.71**

(Source : Annual reports of VKGB and MGB , NABARD reports)

In consonance with the above analysis it was noticed that the average proportion of secured advances to total advances of VKGB was nearly 93% during the period of study It was dropped in FY 2015 and reached to 87.37% because of reduction in the growth rate of secured advances in comparison of the growth of gross advances. It was reached to 96.23% in 2016 because of high growth of secured advances against growth of gross advances.

The average proportion of secured advances to total advances of MGB was 96.11% during the period of study. In 2014 , it was 96.10% and dropped in FY 2015 and stood at 95.90% due to growth rate of secured advances are lower than the growth rate of gross advances. It was reached to 96.33% in 2016 because of low growth rate of secured advances against the high growth rate of gross advances. It was observed the average ratio of MGB was 96.11% which is higher than the average ratio of VKGB which was at 93.31%.

The average ratio of Maharashtra state stood at 94.71%.

Table 4.2.2: Rank Performance Analysis of "Advances" Ratios

Sr No	**Premeditate Ratios**	**Ranks**	
		VKGB	**MGB**
1	Priority Sector Advances to Gross Advances	2	1
2	Return on Average Advances	1	2
3	Secured advances to Gross Advances	2	1
Total of the Ranks on First Position		1	2

In compliance with the rank performance analysis of advances ratios it was noticed that out of the three ratios of advances, MGB got first position having two ratios and VKGB got second position having one ratio.

It was observed that the performance of MGB was effective.

3. Average Working Fund Ratios

[1] Operating Cost to Average Working Fund Ratio

Operating cost is needed for routine business activities of the bank. Operating cost includes payment and provisions for employees, rent and light, printing and stationary, advertisement expenses, depreciation on fixed assets, director's fees, auditor's fees, law charges, telephone expenses, postage expenses, repairs, insurance and expenses relating to deputed staff from sponsor bank. Some of the expenses are controllable which needed the attention of the bank. The ratio arrived by dividing operating cost by average working fund which indicates the employment of average working fund in to operating cost. **Lower the ratio, betterment for bank.**

Table 1.11: Statement showing ratio of Operating Expenses to Average Working Fund. (In %).

	VKGB	MGB	**Mean**
2013-14	3.67	2.40	3.03
2014-15	2.86	2.39	2.62
2015-16	2.72	2.47	2.60
Mean	3.08	2.42	2.75

(Source : Annual reports of VKGB and MGB , NABARD reports)

Table 1.12 : Statement showing growth of % Operating Expenses and Average Working Fund. (in %)

Operating cost to average working fund ratio of VKGB was 3.67% in 2014 which was declined to 2.86% in FY 2015 due decline in operating expenses and increase in average working funds. IT again further got declined to 2.72% on account of decline in operating expenses and 4.53% increase in the average working funds. The average ratio of VKGB over the period of studt stood at 3.08%.

Operating cost to average working funds ration of MGB was 2.40% in FY 2014 which declined in FY 2015 to 2.39% on account of increase in operating expenses as well as increase in average working funds. In FY 2016 , it marginally increased to 2.47% due to high growth in operating expense which marginal increase in average working funds. The ratio of MGB stood at 2.42% during the period of study.

From the overall look it can be said that both the banks managed to lower down the ratio and average ratio of all three banks showed marginal difference with each other. The average ratio of MGB was lower compare to VKGB.

The average ratio of the study period of Maharashtra region stood at 2.75%.

[2] Burden to Average Working Fund Ratio

Burden referred to the excess of operating expenses over other incomes. Generally, the operating expenses are covered from total income which consists of interest income and other incomes. In this ratio it is measured that how much of operating expenses are covered from other incomes and the balance which is denoted as burden. The burden to average working fund ratio indicates that how much of burden has been created from the average working fund. Lower the ratio is preferable by bank. Reduction in operating expenses and / or increase in other incomes dropped down the ratio.

Table 1.13 : Statement showing ratio of Burden to Average Working Fund. (In %).

	VKGB	MGB	**Mean**
2013-14	2.85	1.85	2.35
2014-15	2.40	1.76	2.08
2015-16	2.25	1.75	2.00
Mean	2.50	1.79	2.14

(Source : Annual reports of VKGB and MGB , NABARD reports)

By taking overall view of the ratios of both the banks for the study period, it was noticed that the ratio of burden to average working fund was laid nearby 1.75% to 2.85%. During the period of study , both the banks were able to reduce the burden ratio with small fluctuations as much as possible with the help of good growth of average working fund.

The average ratio of MGB was lowest compare to VKGB because of lowest ratio in all the three years of the study.

The average ratio of the study period of Maharashtra region stood at 2.14% which considered reasonable.

[3] Cost of Average Working Fund

Cost of average working fund also known as financial cost which point out the proportion of total interest paid to average working fund. This ratio indicates the degree of average working fund deployed in the payment of total interest. Total interest includes interest paid on deposits and interest paid on borrowings hence the proportion of average borrowings and average deposits to average working fund, their different combinations such as long term or short term, and their different rates plays as determinants to arrive the ratio of cost of average working fund.

Table 1.14: Statement showing ratio of Interest Expended to Average Working Fund. (In %).

	VKGB	MGB	**Mean**
2013-14	5.09	5.24	5.17
2014-15	5.39	5.67	5.53
2015-16	5.60	5.74	5.67
Mean	5.36	5.55	5.46

(Source : Annual reports of VKGB and MGB , NABARD reports)

The cost of average working fund of VKGB was 5.09% in 2014 which was constantly increase up to 2016 due to constant growth in interest paid over the growth of average working fund and it also increased because of good growth of average deposits and average borrowings. The ratio was improved and stood at 5.60% in 2016 because of 8.76% growth in interest paid against 4.53% growth of average working fund. The average ratio of VKGB was 5.36% during the period of the study and it increased constantly in three years of study due to heavy growth of interest paid.

Similarly , the cost of average working fund of MGB was 5.24% in 2014 which was constantly increase up to 2016 due to constant growth in interest paid over the growth of average working fund and it also increased because of good growth of average deposits and average borrowings. The ratio was improved and stood at 5.74% in 2016 because of 20.80% growth in interest paid against 19.25% growth of average working fund. The average ratio of MGB was 5.55% during the period of the study and it increased constantly in three years of study due to heavy growth of interest paid.

The average cost of average working fund of the study period of VKGB was lowest in comparison of MGB because of the margin of the ratio of VKGB of the study period was lower compare to MGB.

The average cost of average working fund of Maharashtra region stood at 5.46%.

[4] Return on Average Advances Adjusted to Cost of Average Working Fund

With the help of this ratio in can be understand that how much of the cost of average working fund can be covered from the interest received on advances. It is the difference of return on average advances and cost of average working fund. **High ratio is desirable because it reflects in the profit determination.**

Table 1.15: Statement showing ratio of Return on Average Advances Adjusted to Cost of Average Working Fund. (In %).

	VKGB	MGB	**Mean**
2013-14	4.27	3.63	3.95
2014-15	4.44	4.99	4.71
2015-16	3.99	5.79	4.89
Mean	4.23	4.80	**4.52**

(Source : Annual reports of VKGB and MGB , NABARD reports)

On the basis of above data it was examined that the ratio of VKGB was 4.27% in 2014 which was improved in 2015 and stood at 4.44% due to margin of return on average advances was more than the margin o cost of funds. It was noticed that it declined in FY 2016 and stood at 3.99% because of the margin of increase in cost of average working fund was more than the margin of increase in return on average advances. The average during study of the period stood at 4.23%.

The ratio of MGB was improved constantly over the period of study period. It was recorded at 3.63% in FY 2014 which improved to 4.99% in FY 2015 and then to 5.79% in FY 2016 due to margin of return on average advances was more than the margin of cost of fund.

The average ratio of the study period of MGB was highest because in the maximum years of the study period, the ratio of BGB was more than VKGB.

The average ratio of study period of Maharashtra region stood at 4.52%.

[5] Return on Investments Adjusted to Cost of Fund

The ratio of return on investment to cost of funds explains that how much of the costof average working fund can be covered from the interest received on average investments. It is the difference of return on average investments and cost of average working fund. **For the purpose of profit, high ratio is preferable.**

Table 1.16 : Statement showing ratio of Return on Average Investment adjusted to Cost of Average Working Fund. (In %).

	VKGB	MGB	**Mean**
2013-14	5.68	5.10	5.39
2014-15	5.76	4.62	5.19
2015-16	5.77	4.55	5.16
Mean	5.74	4.76	**5.25**

(Source : Annual reports of VKGB and MGB , NABARD reports)

From the analysis made above, In case of VKGB, ratio was improved over the period of the study. Because of more ratio of return on average investment in comparison of cost of funds. It ranged between 5.68% to 5.77% during the period of the study. The average ratio of VKGB stood at 5.74% over the period of three year study.

In case of MGB , it was observed that during the period of the study , the ratio kept declining from 5.10% in FY 2014 to 4.55% in FY 2016 because of the return on average investment constantly declined compare to the cost of average working fund. The average ratio of MGB stood at 4.76% over the period of three year study.

The average ratio of the study period of VKGB was more than MGB due to the reduction in the margin of ratio of return on average advances over the margin of ratio of cost of funds.

The average ratio of the study period of Maharashtra region stood at 5.25%.

Table 4.2.3: Rank Performance Analysis of "Average Working Fund" Ratios.

Sr No	Premeditate Ratios	Ranks	
		VKGB	MGB
1	Operating Cost to Average Working Fund Ratio	2	1
2	Burden to Average Working Fund	2	1
3	Cost of Average Working Fund	1	2
4	Return on Average Advances Adjusted to Cost of Average Working Fund	2	1
5	Return on Investments Adjusted to Cost of Average Working Fund	1	2
Total of the Ranks on First Position		2	3

Based on the rank performance analysis of average working fund ratios, it was examined that out of the five ratios of average working fund MGB has got first position having three ratios. VKGB got first position in only two ratio of the total five ratios.

From the overall view of average working fund it can be said that the performance of MGB was significant.

4. Income Ratios

[1] Burden to Interest Income Ratio

Generally, the operating expenses are covered from total income which consists of interest income and other incomes. In this ratio it is measured that how much of operating expenses are covered from other incomes and the balance which is denoted as burden. The burden to interest income ratio indicates that how much of burden can covered from interest income. Lower the ratio is good for bank because lower burden can improve the profitability of the bank

Table 1.17: Statement showing ratio of Burden to Interest Income. (In %).

	VKGB	MGB	**Mean**
2013-14	29.06	19.88	24.47
2014-15	25.30	18.10	21.70
2015-16	23.25	18.20	20.73
Mean	25.87	18.72	22.30

(Source : Annual reports of VKGB and MGB , NABARD reports)

In relation to the help of above analysis of VKGB , it can be understood that the ratio of burden to income was 29.06% in 2014 which declined in next 2 years and stood at 25.30% in FY 2015 and 23.25% in FY 2016 respectively . This was because of the growth of interest income was more than the growth of burden. It has shown ups and downs during the period of study because of variations in burden and interest income It should be remembered that burden affected by other incomes and operating expenses As the operating expenses and other incomes change, the burden will also change. The average ratio of VKGB was 25.87% during the period of the study.

Likewise VKGB , the ratio of MGB also constantly declined during the period of the study because of the growth of interest income was more than the growth of burden. It was dropped from 19.88% to 18.20% in 2016 because of reduction in the growth rate of burden.

The average ratio of MGB was 18.72% which was lowest compare to VKGB.

The average ratio of the study period of Maharashtra region stood at 22.30%.

[2] Wage Bill to Total Income Ratio

Wage bill referred to the payment and provisions for employees. It covers major portion of total operating expenses. The ratio of wage bill to total income explains that how much of wage bill can be adjusted against the total income. Less ratio preferable by bank because deducting lower wage bill from total income, more portion of total income available for meeting remaining operating expenses which consist of lower proportion of total expenses which creates huge margin for total income. The margin of total income arrived after educting wage bill and other expenses, used for the payment of interest. Lower ratio of wage bill to total income creates an opportunity to maximize the profit.

Table 1.18: Statement showing ratio of Staff Expenditure to Interest Income. (In %).

	VKGB	MGB	**Mean**
2013-14	28.29	18.27	23.28
2014-15	23.34	17.47	20.41
2015-16	19.57	17.71	18.64
Mean	23.73	17.82	20.78

(Source : Annual reports of VKGB and MGB , NABARD reports)

According to the above analysis, it was found that the ratio of VKGB was 28.29% in 2014 and it got declined in next 2 financial years. It reached to 23.34% in 2015 due to -4.79% decrease in wage bill against the 15.37% growth of total income. In FY 2016 , it again declined to 19.57% due to reduction in the growth of wage bill against the growth rate of total income. The average ratio of VKGB during the period of the study was 23.73%.

MGB has also successfully reduced the ratio during the period of the study constantly because the growth rate of wage bill was increased compare to the growth rate of total income which was declined. The average ratio of MGB during the period of the study was 17.82%.
It was noticed that the average ratio of the study period of MGB was lowest compare to VKGB because of the margin of reduction of growth rate of MGB was more in comparison to VKGB.
The average ratio of the study period of Maharashtra region stood at 20.78%.

[3] Cost-Income (Efficiency) Ratio

The cost to income ratio indicates how profitably the funds have been deployed by the banks. The ratio reflects the ability of a bank to generate revenue from its expenditure. It captures the impact of operations and is, thus, a better measure of efficiency. Cost for this purpose the operating expenses of the bank and income for this purpose the net income which is determined by interest paid from total income. The difference of total income and interest paid is eligible for meeting operating expenses and for profit.

Table 1.19 : Statement showing ratio of Staff Expenditure to Interest Income. (In %).

	VKGB	MGB	**Mean**
2013-14	51.91	56.24	54.07
2014-15	56.95	58.40	57.67
2015-16	57.84	59.68	58.76
Mean	55.56	58.11	56.84

(Source : Annual reports of VKGB and MGB , NABARD reports)

In the opinion of the above statement it was noticed that in 2014, the ratio of cost to income of VKGB was 51.91% which was increased to 56.95% in 2015 because of 26.58% increase in staff expenses against 15.37% growth in net income. It was further increased to 57.84% due to 8.56% in staff expenditure against 6.89% increase in net income. The average ratio stood during the period of the study 55.56%.

The ratio of cost to income of MGB was 56.24% which was increased to 58.40% in 2015 because of 28.82% increase in staff expenses against 24.07% growth in net income. It was further increased to 59.68% due to 20.80% in staff expenditure against 18.19% increase in net income. The average ratio stood during the period of the study 58.11%.

The average ratio of the study period of Maharashtra region stood at 56.84%.

Table 4.2.4: Rank Performance Analysis of "Total Income" Ratios

Sr No	**Premeditate Ratios**	**Ranks**	
		VKGB	**MGB**
1	Burden to Interest Income Ratio	2	1
2	Wage Bill to Total Income Ratio	2	1
3	Cost-Income (Efficiency) Ratio	1	2
Total of the Ranks on First Position		1	2

In compliance with the rank based analysis of "Income" ratios, it was examined that out of the three ratios, MGB got first position having two ratios. VKGB got second position having one ratio out of the total ratios examined. It can be said that MGB performed very well towards Income ratios.

5. "Investments" Ratios

[1] Return on SLR Investments

As part of prudential guidelines, banks require to maintain a portion of their deposits in liquid assets. These liquid assets can be cash, gold or government securities. The ratio of prescribed liquid investments to deposits is termed as statutory liquidity ratio. In India, banks invest in bonds issued by the government and notified by the Reserve Bank of India as qualifying for SLR to meet the prescribed ratio. SLR is occasionally used as monetary policy tool and the stipulation is made by authorities, keeping in mind the monetary policy objectives. It should be noted that RRBs of Gujarat State has invested major proportion of total investments in to SLR investments to get interest stability and reduced the proportion of non SLR investments in the investment portfolio to minimize the risk.

Table 1.20: Statement showing ratio of return on investments . (In %).

	VKGB	MGB	**Mean**
2013-14	8.17	7.71	7.94
2014-15	8.58	8.16	8.37
2015-16	8.22	7.95	8.09
Mean	8.32	7.94	8.13

(Source : Annual reports of VKGB and MGB , NABARD reports)

In accordance with the above statement it was observed that the return on SLR investments of VKGB was 8.17% in 2014 which improved in 2015 and reached its highest level of 8.58% during the period of the study.The return on SLR investments declined in 2016 and dropped to

8.22% because of the proportion of total investments to total assets declined. The average ratio during the period of the study o VKGB was 8.32%.

In the year 2014, the ratio of MGB was 7.71% which was improved in 2015 and dropped in 2016 with normal variations. It was reached to 8.16% in 2015 and recorded good growth of income from investments which was 37.20% against 61.29% growth in interest in investment. The ratio was dropped in 2016 to 7.95% in spite of proportion of investments to total assets was increased and growth rate of interest from investments tends to decline. The average ratio during the period of the study o VKGB was 7.94%.

The average ratio of Maharashtra region stood at 8.13%.

[2] Return on Non-SLR investments

RBI has allowed banks to invest in various capital market instruments such as stocks and bonds issued by public and private sector companies and commercial papers. In addition, banks are also allowed to invest in various mutual fund schemes. Unlike SLR investments, there is no compulsion on banks to invest in these instruments. Investments are entirely guided by commercial considerations and many such investments are in accordance with the prescribed guidelines. Non-SLR investments include risk factor and there has been uncertainty about the interest income but it can generate more return than SLR investments.RRBs should increase the proportion of Non-SLR investments in investment portfolio to get increase in interest income.

Table 1.21: Statement showing ratio of return on investments (in %).

	VKGB	MGB	**Mean**
2013-14	2.67	1.63	2.15
2014-15	1.41	1.46	1.44
2015-16	1.56	1.69	1.62
Mean	1.88	1.59	1.74

(Source : Annual reports of VKGB and MGB , NABARD reports)

The return on Non-SLR investments of VKGB was 2.67% in 2014 which was constantly dropped and stood at 1.41% in 2015. It further dropped in 2010 to 1.56% with normal variations. The average ratio stood at 1.88% during the period of the study.

For MGB, it was 1.63% in 2014 which was dropped to 1.46% in FYT 2015. It improved little bit in 2016 to 1.69%

By taking overall look of investments to total assets, it was noticed that both the banks have minimized the proportion of investments to total assets and the proportion of SLR investments to total investments was very high in comparison of non-SLR investments. In spite of higher return on non-SLR investments, banks have not taken the advantage of increase in interest income because of the major proportion of investments consists of SLR investments. Hence, the growth rates of interest from investments duly affected by return on SLR investments and the proportion of SLR investments to total investments.

The average ratio of Maharashtra state stood at 1.74% during the period of the study.

Table 4.2.5: Rank Performance Analysis of "Investments" Ratios

Sr No	**Premeditate Ratios**	**Ranks**	
		VKGB	**MGB**
1	Return on SLR Investments	1	2
2	Return on Non-SLR Investments	1	2
Total of the Ranks on First Position		1	2

In compliance with the rank performance analysis of return on SLR investments and Non-SLR investments it was noticed that average return of SLR investments of VKGB was more than MGB while average return on Non-SLR investments of VKGB was again more when compared with MGB. VKGB got first position each on the ratios of investments while MGB does not have first position on any one of the ratios of investments

6. Operating Expense Ratios

[1] Wage Bill to Operating Expense Ratio

Wage bill of the bank is the payment and provisions for employees which covers major portion of the total operating expenses. This ratio helps to determine the extent of payment of wage bill of the total operating expenses. Less ratio of wage bill to operating expense helps the bank to get opportunity for profit maximization. Bank should control and / or reduce the remaining expenses to take the advantage of enlargement of the profit with low ratio of wage bill to total operating expense.

Table 1.22: Statement showing ratio of Staff Expenditure to Operating Expenses. (In %).

	VKGB	MGB	**Mean**
2013-14	75.72	70.83	73.28
2014-15	77.35	70.96	74.16

2015-16	69.80	68.89	69.34
Mean	74.29	70.23	72.26

(Source : Annual reports of VKGB and MGB , NABARD reports)

The ratio of VKGB was 75.22% in 2014 which was increased to 77.35% in 2015 on the grounds of the growth rate of wage bill was more than the growth rate of operating expenses It further dropped to 69.80% in 2016 due to lower growth rate of wage bill compare to the growth rate of operating expenses.the average ratio of VKGB during the period of the study was 74.29%.

The ratio of MGB was 70.83% in 2014 which was increased to 70.96% in 2015 on the grounds of the growth rate of wage bill was more than the growth rate of operating expenses It further dropped to 68.89% in 2016 due to lower growth rate of wage bill compare to the growth rate of operating expenses.the average ratio of VKGB during the period of the study was 70.23%.

The average ratio of the study period of MGB was lowest in comparison VKGB because of the lowest ratio arrived during the period of the study which reflected in the average ratio of MGB. The average ratio of the study period of Maharashtra region was 72.26%.

[2] Burden Ratio

The burden ratio indicates the extent of other incomes which used to cover operating expenses. It is arrived by dividing other incomes by operating expenses. Higher the ratio enlarges the margin for interest income to absorb remaining operating expenses and creates an opportunity for improvement in profit.

Table 1.23: Statement showing ratio of Other Income to Operating Expenses. (In %).

	VKGB	MGB	**Mean**
2013-14	22.22	22.93	22.57
2014-15	16.20	24.96	20.58
2015-16	17.07	29.22	14.61
Mean	18.50	25.70	19.25

(Source : Annual reports of VKGB and MGB , NABARD reports)

The burden ratio of VKGB was 22.22%% in 2014 which was reduced to 16.20% in 2015 by the reason of the growth of operating expenses was more than the growth of other incomes. It was slightly improved in 2016 to 17.07% on the grounds of more growth in other incomes.

The ratio of MGB was 22.93% in 2014 which got improved in 2015 to 24.96% because of heavy growth was recorded of other incomes against the growth rate of operating expenses.It got further improved and reached at 29.22% highest level during the study period because of good movement in the growth of other incomes when operating expenses was declined.

The average ratio of the study period of MGB was highest in comparison of VKGB because the growth rate of other incomes was more in MGB against the growth rate of other incomes.

The average ratio of the study period of Maharashtra region stood at 19.25% due to lower average ratio of VKGB.

Table 4.2.6: Rank Performance Analysis of "Operating Expense" Ratios

Sr No	**Premeditate Ratios**	**Ranks**	
		VKGB	**MGB**
1	Wage Bill to Operating Expense Ratio	1	2
2	Burden Ratio	2	1
Total of the Ranks on First Position		1	1

In relation to the rank performance analysis of "operating expense" ratio it was noticed that out of the two ratios of operating expenses VKGB and MGB , both got first position , having one ratio each.

7. Liabilities Ratios

[1] Deposits to Total Liabilities Ratio

Total liabilities of the banks can be considered as the sources of funds and the deposits are primary source of the total funds. The relationship of deposits to total liabilities explains the extent of total funds coming from the deposits. High proportion of total deposits desirable by bank because it reduces the borrowing which helps to reduce the cost of fund.

Table 1.24: Statement showing ratio of Total Deposits to Total Liabilities. (In %).

	VKGB	MGB	**Mean**
2013-14	87.80	84.08	85.94
2014-15	87.00	82.79	84.90
2015-16	91.62	86.02	43.01
Mean	88.81	84.30	71.28

(Source : Annual reports of VKGB and MGB , NABARD reports)

On the basis of above results it was noticed that the ratio of deposits to total liabilities of VKGB was 87.80% in 2014 which was dropped marginally to 88.00% in 2015 which has improved the proportion of borrowings to total liabilities. It was improved in 2016 to 91.62% due to reduction in the borrowings proportion.

The ratio of MGB was 84.08% in 2014 which decreased to 82.79% in 2015 because of the increase proportion of borrowings and other liabilities and provisions. It was improved in 2016 to 86.02% with the effect of reduction in borrowings proportion.

The average ratio of VKGB was 88.81% which was the highest because of the proportion of deposits to total liabilities was more during the period of the study.

The average ratio of Maharashtra region stood at 71.28% during the study period.

[2] Cost of Interest Bearing Liabilities

In general, the interest paid by the banks on deposits mobilized and borrowings made. Different rates on deposits are applied for different tenure and different schemes offered by bank for deposits. For borrowings purpose the sources of finance like NABARD, sponsor bank and other institution, the rates of borrowings are different. In this ratio, the relationship between total of interest paid on deposits and interest paid on borrowings with total of interest bearing liabilities like average deposits and average borrowings is measured to arrive the fact that how much of total interest paid out of the total of average interest bearing liabilities. **Lower ratio should consider better for bank.**

Table 1.25: Statement showing Total Interest expenditure to Total Liabilities (In %).

	VKGB	MGB	**Mean**
2013-14	5.03	4.90	4.96
2014-15	5.49	5.24	5.37
2015-16	5.94	5.37	2.68
Mean	5.49	5.17	4.34

(Source : Annual reports of VKGB and MGB , NABARD reports)

With the help of workings above, it can be said that the ratio of DGB was 5.03% in 2014 and it was improved in 2015 to 5.49% and 5.94% in 2016 due to the growth rate of interest paid was more than the interest bearing liabilities. During the period of the study , it stood highest at 5.94% with improvement in 2016 because of 8.56% increase in interest paid over the 0.42% increase in total interest bearing liabilities.

The ratio of BGB was constantly improved during the period of the study due to growth of interest paid was more than interest bearing liabilities. It was 4.90% in 2014 and 5.24% in 2014 because of the growth rate of interest bearing liabilities and growth rate of interest quite similar. It was slightly improved and stood at 5.37% due to 20.80% increase in interest paid against the 17.89% growth of interest bearing liabilities.

The average ratio of MGB was 5.17% which was lower than VKGB because in the period of the study , the ratio of cost of interest bearing liabilities was lower in comparison of VKGB.

The average ratio of Maharashtra region stood at 4.34% of the study period.

Table 4.2.7: Rank Performance Analysis of "Liabilities" Ratios

Sr No	**Premeditate Ratios**	**Ranks**	
		VKGB	**MGB**
1	Deposit to Total Liabilities	1	2
2	Cost of Interest Bearing Liabilities	2	1
Total of the Ranks on First Position		1	1

Relative to the rank performance analysis of "Liabilities" ratios, it was found that out of the two ratios, VKGB has got first position in one and MGB got first position in one ratio.

The performance of both the Banks were at par towards liabilities ratios was appreciable.

8. Borrowings

[1] Cost of Average Borrowings

The ratio of cost of average borrowings explains the degree of interest paid on average borrowings made by the bank. It should be keep in mind that sources of finance like NABARD, sponsor bank and other institutions, the period of borrowings, the rate of borrowings and the purpose of borrowings performs vital role for payment of interest. Even though the borrowings repaid, the interest may increase because it can happened that low cost borrowings may repaid and high cost borrowings still laid down in capital structure of the bank. Banks prefer to have low ratio of cost of average borrowings to reduce the cost of funds.

Table 1.26: Statement showing Interest paid on borrowing to average borrowings (in %).

	VKGB	MGB	**Mean**
2013-14	6.24	7.36	6.80
2014-15	6.41	7.54	6.97

2015-16	7.14	8.91	4.45
Mean	6.60	7.94	6.08

(Source : Annual reports of VKGB and MGB , NABARD reports)

Through the analysis of the ratio of cost of average borrowings it was noticed that the ratio of VKGB was 6.24% in 2014 which was improved in 2015 to 6.41% and 7.14% in 2016 respectively due to increased growth rate of interest paid over the growth rate of average borrowings.
The analysis of the ratio of cost of average borrowings it was noticed that the ratio of MGB was 7.36% in 2014 which was improved in 2015 to 7.54% and 8.91% in 2016 respectively due to increased growth rate of interest paid over the growth rate of average borrowings.
The average ratio of the study period of VKGB was lowest compare to MGB. The average ratio of Maharashtra region of the study period stood at 6.08%.

Table 4.2.7: Rank Performance Analysis of "Liabilities" Ratios

Sr No	Premeditate Ratios	Ranks	
		VKGB	MGB
1	Cost of Average Borrowings	1	2
Total of the Ranks on First Position		1	2

Pursuant to the ratio of cost of average borrowings it was noticed that the average ratio of the study period of VKGB was lowest compare to MGB.The bank managed to bring down the average cost of average deposits and got first position in cost of average borrowings ratio. With the view to cost of average borrowings, the performance of VKGB was noticeable.

To arrive on the conclusion about the performance evaluation of RRBs of Maharashtra on the basis of composite ratio analysis, following eight parameters have been taken as base. On the basis of average results of each parameter, ranks assigned to that parameter and on the basis of the ranks, performance evaluation has been made.

FINDING OF THE STUDY :

Table 4.2.9.: Rank Performance Analysis of "Composite" Ratios

Sr No	Premeditate Ratios	Ranks	
		VKGB	MGB
1	Deposits	1	1
2	Advances	2	1
3	Average Working Fund	2	1
4	Income	2	1
5	Investments	1	2
6	Operating Expenses	1	1
7	Liabilities	1	1
8	Cost of Average Borrowings	1	2
Total of the Ranks on First Position		**5**	**6**

From the rank based performance analysis of composite ratios it was revealed that total eight parameters have been used out of them MGB has got first position on six parameters, VKGB got first position on five parameters. It should be clear that the performance of MGB from the view point of composite ratios was impressive.

CONCLUSION :

- The main objective behind the establishment of Regional Rural Banks for the development of rural economy by providing financial assistance to agriculture, trade, commerce, small and house hold industry through credit and advances are being met with the establishment of various area specific Regional Rural Banks.
- The Maharashtra Gramin Bank (MGB) is one of the matured banks in Maharashtra state, which is serving small and marginal agricultural farmers . The MGB expanded its branch network all over the rural areas of 6 districts in Maharashtra and performing well through its deposits and advances , irrespective of NPAs and lending to priority sector.
- Accordingly to the profitability of both the banks , the Maharashtra Gramin Bank (MGB), it may be said , is good and is growing at healthy growth rate. There is a consistent improvement in all the thrust areas of the bank.
- Maharashtra Gramin Bank shows satisfactorily credit growth and also improvement on the other financial indicators like operating profit , net profit , capital adequacy
- The equity stakes of the central government , state government and sponsor banks and their continuous support to the Bank , comfortable capital levels and marginal deterioration in the asset quality indicators.

- It is found that the total number of Vidharbha Konkan Gramin Bank (VKGB) bank branches during the study period is not enough to meet the growing financial needs of the rural areas. Hence, bank officials should concentrate to enhance its branch network to extend more financial services in the rural areas.
- Maharashtra Gramin Bank has been consistently meeting their annual targets setup by their sponsor Bank and also CD ratio , Investment - Deposit Ratio (ID Ratio) , Cost to Income Ratio are well within the prescribed limits setup by the financial regulatory bodies.
- Vidharbha Gramin Bank should also work on improvement on financial indicators like CD ratio , Investment - Deposit Ratio (ID Ratio) , Cost to Income Ratio so that their profitability and sustainability increases.
- Both the Banks should increase their recovery rate.
- Vidharbha Konkan Gramin Bank (VKGB) and Maharashtra Gramin Bank (MGB) should open its branches in areas where customers are not able to avail banking facilities in the five district of the Maharashtra state.
- Both the banks have implemented 100% CBS but both these banks should establish the ATMs in the rural areas to enhance its services to customers. It shall provide easy and affordable services through the best use of technology.
- Both banks should also provide e-banking facilities and create awareness among its customers.
- For both the banks , it is essential to conduct farmers' financial awareness programs in rural areas.
- Both these banks must try to reach out to more needy through micro-credit and Self-Help Groups more efficiently.
- Expand its reach in the rural areas through alternate channels – ATM , BCA model.
- Both these Bank should improve in service levels in rural areas.

Problems (Weaknesses) of RRBs in Maharashtra :

Although RRBs had a rapid expansion of branch network and increase in volume of business, these institutions went through a very difficult evolutionary process due to the following problems.

- Very limited area of operations as well as limited scope of investment , Difficulties in deposit mobilization
- Delay in decision making and formation of policies as 3 they need to coordinate with 3 Government
- entities for approvals,
- High risk due to exposure only to the target group so their revovery rate is poor
- Inadequate skills in treasury management for profit orientation.
- Inadequate exposure and skills to innovate products limiting the lending portfolios – lack of training
- Facilities.
- Inadequate effort to achieve desired levels of excellence in staff competence for managing the affairs
- and business as an independent entity.

SUGGESTIONS (RECOMMENDATIONS) FOR IMROVEMENT OF RRBs:-

- Government should encourage and support banks to take appropriate steps in rural development.
- Efforts should be made to ensure that the non-interest cost of credit to small borrowers is kept as low as possible.
- Policy should be made by government for opening more branches in weaker and remote areas of state.
- Productivity can be improved by controlling the costs and increasing the income.
- To participation cost, subsidy should be adjusted towards the end of the transaction for which loan assistance is sanctioned.
- Government should take firm action against the defaulters and shouldn't make popular announcements like waiving of loans.
- The RRBs have to make an important change in their decision making with regard to their investments
- The RRBs have to be very careful and reduce the operating expenses, because it has been found from our study that these expenses have increased the total expenditure of the banks.
- The RRBs have to give due preference to the micro-credit scheme and encourage in the formation of self help group.
- Cooperative societies may be allowed to sponsor or co-sponsor with commercial banks in the establishment of the RRB.
- A uniform pattern of interest rate structure should be devised for the rural financial agencies.
- The RRB must strengthen effective credit administration by way of credit appraisal, monitoring the progress of loans and their efficient recovery.
- The credit policy of the RRB should be based on the group approach of financing rural activities.
- The RRB may relax their procedure for lending and make them easier for village borrowers.

REFERENCES :

[1] Regional rural banks-problems and prospects A case study". Financing agriculture, 14(2), April-June, 1984, New Delhi, pp54-56.
[2] "A Study of loan recovery of Regional Rural Banks in Bihar" Financing Agriculture,16(2) April June,1984 New delhi,pp37-39.
[3] Regional Rural Banks: A study "Kurukshetra, 33(8), May 1985, New Delhi,pp31-33.
[4] "Credit and Rural bank: A case study: published M.Phil, Dissertation submitted to S, V.University, Thirupathi, 1985, pp89-91.
[5] "Credit Repayment performance of borrowers of Regional Rural Banks: A case study" Southern Economist, July 1986, New Delhi, pp.15-17.
[6] 7."Impact of Grameena Bank Intervention on the Rural power Structure "Research monograph, Bangladesh Institute of Development studies,No.61, Bangladesh,1986,pp76-79. 7. "Alleviation of rural poverty: Reliability of Grameena Bank Model "Grameena bank Evaluation project, Agriculture and Rural development studies, Economic and political weekly, Vol.7, November, 1987.pp2934.
[7] "Disbursement, overdoes and factors Affecting Repayment Capacity of Barrowers" Indian Journal of Agricultural Economics, Vol.43, No...3, 1988, New Delhi, p.p 433.

[8] Internet search for RRBs and Indian Government policies towards rural development.
[9] Almelu K, Devamohan.A (2010). Regional Rural Banks; the Turnaround Story. The Indian Economic Journal. vol.58, pp.153-164
[10] Jha.B.K, (2008). Role of Banking Service in Rural Entrepreneurship (A case study of Sultanpur District, Uttar Pradesh). Banking Finance, pp.9-12
[11] Jaynal Uddin Ahmed (2014). The Efficacy and Working of Regional Rural Banks: An Implication in Indian Context. International Journal of Banking, Risk and Insurance Volume 2, (1), pp.18-29.
[12] Jayaramaiah.N, Anand.M.B & Ramesh.H (2013). Rural Banking Strategies for Inclusive Growth With special reference to Rural Karnataka. Acme Intellects International Journal of Research in Management, vol.1, (1), pp.1-17
[13] Kanika & Nancy (2013). Financial Performance Evaluation of RRBs in India. International Journal of Management and Information Technology, vol.4, (2), pp.237-247.
[14] Megha & Aparna Bhatia (2013). Performance Evaluation of Regional Rural Banks in India during Pre And Post Amalgamation Period. Abhigyan, vol.30 (4), pp.40-55
[15] Narasaiah.P.V et.al (2005). Regional Rural Banks- the Current Scenario. Banking Finance, pp.14-16
[16] Shanabhogara Raghavendra & Chaya K Degaonkar (2014). Regional Rural Banks and Agricultural Credit- Changing Role and Dimensions. Monthly Multidisciplinary Research Journal, Vol. 3, (9), pp.1-8.