



A STUDY ON GROWTH AND PERFORMANCE OF REGIONAL RURAL BANKS (RRBs) IN INDIA

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Abstract : Nowadays, the banking sector acts as a backbone of modern business. Development of any country mainly depends upon the banking system. A bank is a financial institution which deals with deposits and advances and other related services. Rural banking institutions are playing a very important role for all round development of rural areas of the country. Regional rural Banks in India are the scheduled commercial banks that conduct banking activities for the rural areas at the state level. These banks are set up all over the country with the objectives of meeting credit needs and other facilities of the most privileged section of the society. Regional Rural Banks were established in 1975 under the Regional Rural Bank Act of 1976. This paper is an attempt to analyse the financial performance of RRBs in India during the study period of 2012-13 to 2019-20. The study is exploratory in nature and is based on secondary data collected from annual reports of NABARD and RBI. Various financial ratios are selected for the present study and some statistical techniques are used i.e. mean, standard deviation, coefficient of variance. An analytical research design of key performance indicators such as number of banks and branches, deposits, investment, loans and advances, share capital, reserves and surplus, profitability in the present study and data analysed by ratio analysis. The study finds and concludes that the financial position of the bank has shown satisfactory results during the study period.

Keywords: *Regional Rural Banks, Growth rate, Credit Deposit Ratio, NABARD , RBI*

1. INTRODUCTION:

Regional Rural Banks (RRBs) are the banking organisations being operated in different states of India. RRBs are the third layer of the commercial banking organisation after commercial and cooperative banks. Basically India is a rural country with two third of population and 70% workforce residing in rural areas. Despite the rise in urbanisation, more than half of India's population is projected to be rural by 2050. The concept of RRBs in India was put by the Narsimham Committee in 1975. The Govt. of India in the month of July 1975 formed a working group Committee under the chairmanship of M. Narsimham in regard to examine in detail the need for setting up of new rural banks as subsidiaries of public sector banks for providing the credit requirement to the rural people. The Working Group Committee had recommended the setting up of state sponsored regionally based and rural oriented commercial banks in the country. Subsequently the recommendations were accepted by the Government of India to set up a regional rural bank. Reserve Bank of India and NABARD are the prime regulators of RRBs in India. NABARD is the chief body set up for regulations of the rural banking sectors in India and is mainly responsible for monitoring planning activities and policymaking of the credit system of the rural banks

Regional Rural Banks (RRBs) are the scheduled commercial banks that conduct banking activities for the rural areas at the state level. Regional Rural Banks (RRBs) in India were established by the Government of India under the provisions of RRBs Act 1976, enacted by the parliament of India as per the recommendation of Narsimham Committee to cater to the rural credit needs of the farming and other rural communities.. The primary objectives of the RRBs are to provide sufficient banking and credit facilities to small, marginal farmers, agricultural labourers, small artisans and small entrepreneurs etc. in the rural areas for boosting the rural economy and also opening the branches in rural areas, generating employment opportunities, raising savings among the rural people, accepting deposits and using the funds for productive purposes, protecting common people from money lenders' exploitations are the basic purpose to established the RRBs. Ownership of the RRBs is vested with the central Government 50%,

State Government 15 % and sponsored bank 35%. The Prathama Grameen Bank was the first Regional Rural Bank to be established in Muradabad on 2nd October 1975 in Uttar Pradesh and the Syndicate Bank became the first commercial bank to sponsor the Prathama Grameen Bank RRB. There are many kinds of Regional Rural Banks in India and each Regional Rural Bank is sponsored by a public sector bank like Himachal Gramin Bank is sponsored by Punjab National Bank.

After passing the Act, within a year at least 25 Regional Rural Banks were established in different parts of India and after establishment, the development of RRBs was quite fast. In 1990, the number of Regional Rural Banks was 196. The Reserve Bank of India constituted a committee under the chairmanship of Dr. V.S. Vyas in 2001, which examined the relevance of RRBs in the rural credit system and the alternatives for making it viable. The consolidation process was initiated in the year 2005. As a result of amalgamation, the number of RRBs has been reduced from 196 to 56 as on 31 March 2015. On 1 April 2020, 43 RRBs were operating in the country and each RRB was sponsored by the government of India in collaboration with the State Government and sponsor bank. These banks mainly finance the agriculture sector and this sector contributes around 20 percent of the total GDP of India. Thus these banks have a direct impact on the Indian economy.

11. REVIEW OF LITERATURE:

A large number of studies have been conducted on financial performance followed by banks. An attempt has been made to review the existing literature.

Mishra (2006) conducted a study with the objective of analysing the performance of Regional Rural Banks (RRBs) in India. The study considered profit making RRBs on the basis of earning profits consecutively for the past three years from the terminal year of the study. He observed that out of 196 RRBs, only 150 are in the category of profit making and the rest of 46 as loss making.

Ibrahim Syed M. (2010) analyses the performance of Regional Rural Banks (RRBs) in certain defined parameters like number of branches, district covered, capital funds, and mobilisation of deposits, loans and investment made by these banks. The branches network of RRBs has not only been increased but improved their functioning at a satisfactory level in terms of coverage of districts, mobilisation of deposits, loans and investment and investment in post merger period. In the study, it was concluded that RRBs in India showed a remarkable performance in the post merger period.

Anil Kumar Soni and Abhay Kumar Kapre (2012) conducted a study on “Performance Evaluation of Regional Rural Banks in India” that analysed the financial performance of RRBs in India during the period 2006-07 to 2010-2011. The study is diagnostic and exploratory in nature and they analysed the performance using various key performance indicators such as number of RRBs, number of branches, deposits, loans and advances. For this purpose, the secondary data were collected from the annual reports of NABARD and RBI for a period of five years from 2007 to 2012 and they concluded a positive impact on the performance of RRBs.

Khan and Ansari (2015) have examined the financial performance of RRBs on the basis of some key performance indicators such as branch expansion, deposits, accumulated losses, investments and trend of profit over the period 2012-15. Their study found that overall there has been a remarkable development in spite of the decline in investment and losses incurred by 5 RRBs. Patel and Shah (2006) made a study on performance evaluation of RRBs of India. They gathered the data from secondary sources from published reports of RBI for the financial years ended 2001 to 2013. For the purpose spread ratio, burden ratio and profitability were calculated. It can be concluded that financial indicators such as number of RRBs, branches, district coverage, deposit and advances have shown growth, but it is not significant growth.

Baligatti, Y.G. (2006) his study reveals that RRBs have taken initiation to expand to their branch network and extending their area of operations, it is witnessed that though the RRBs are successful in providing banking services to unbanked area and there is imbalance growth of RRBs where prominent backward areas has been neglected in providing bank credit.

Ghouse and Reddy (2017) studied the financial performance of RRBs in India during 2007-17. Their study disclosed that there is notable variation in the growth of RRBs during the study. It has also found that RRBs have failed to maintain the flow of growth in deposits.

Kumar, Mehta and Malik (2019) in their paper observed positive performance of RRBs in India in respect of increase in C.D. Ratio and investment – deposit ratio. The study also observed that increase outstanding credit for agriculture and non-agriculture during the period. RRB successfully achieves its objectives in bringing unbanked rural people in the formal banking arena for availing easy and cheaper credit facilities

Ahmed Nasir (2020) studied the article on “Regional rural banking: Growth and performance”. The study is based on secondary data collected from annual reports of NABARD and RBI. An analytical research design of key performance indicators such as number of banks and branches, number of districts covered, growth rate of banks and its branches, deposits, advances and growth rate index is a major statistical tool in this study. The study found and concluded that financial performance of Regional Rural Banks has significantly improved.

Nandini, Bosu and Patijoshi (2021) analysed the Growth and Performance of Rural Banking In India. Data was collected from secondary sources for the period of 2008-09 to 2017-18. For the purpose of study solvency ratio and profitability ratio were calculated. Study reveals that the demand for credit has increased in the rural areas for different purposes along with an increasing trend of branch expansion.

11.1. OBJECTIVES OF THE STUDY:

The present study has been undertaken with the following objectives

1. To study the growth of Regional rural Bank in India over a time period 2012-13 to 2019-20
- 2 To evaluate the financial performance of Regional rural Banks in India.
3. To analyse the key performance indicators of Regional rural Banks.

IV. RESEARCH METHODOLOGY:

The present study is basically exploratory in nature and depends exclusively on secondary data. Secondary data are collected from various sources like research papers, annual reports of RBI, NABARD and regional rural banks, articles published in journals, published documents and websites. The study covers a specific period of 2012-13 to 2019-20. The data is analysed by using various financial ratios. The various performance and growth indicators used in the study are deposits, loans and advances, reserves and surplus, borrowings, net profit, return on advances, return of NPA to net advances, and credit deposit ratio. The data has been analysed by using various statistical tools such as percentages, means, standard deviations, and growth rate are used to evaluate the study. The graphical presentations have also been made for analysis of data.

V. DATA ANALYSIS AND INTERPRETATIONS:

The financial performance of the RRBs has been analysed on the basis of the following parameters.

1. Growth of Regional Rural Banks in India
2. Credit to deposit ratio
2. Investment to deposit ratio
4. Growth rate of Share Capital, Reserves and Borrowings
5. Profitability Position of Regional Rural banks
6. Return on Advances and Cost Of Deposits.
7. Growth Pattern of Non-Performing Assets (NPA)
8. Return on Assets (ROA)

1. Growth of Regional Rural Banks in India:

Number of RRBs and their branch network assumes a huge job in improving the position of RRBs. Accessibility of a bank office is considered as quite possibly the main channel of the bank and by large the most favoured channel of the client.

Table-1: Evaluation of Branch Expansion of RRBs in India during 2012-13 to 2019-20

| Year | No. of RRBs in India | No. of branches | No. of districts covered |
|---------|----------------------|-----------------|--------------------------|
| 2012-13 | 64 | 17861 | 635 |
| 2013-14 | 57 | 19082 | 642 |
| 2014-15 | 56 | 20024 | 642 |
| 2015-16 | 56 | 20920 | 648 |
| 2016-17 | 56 | 21422 | 648 |
| 2017-18 | 56 | 21747 | 648 |
| 2018-19 | 53 | 21871 | 648 |
| 2019-20 | 45 | 21850 | 685 |
| Mean | 55.37 | 20597 | 650 |
| S.D. | 5.23 | 1483.75 | 15.08 |
| C.V. | 9.44 | 7.20 | 2.32 |

Source: Annual Report of NABARD

As per the Report of NABARD, in the financial year 2019-20, there were 45 RRBs functioning in 685 districts of 26 states and three in union territories. They were sponsored by 15 commercial banks and operated through a network of 21850 branches. It is analysed from the table that the number of registered RRBs has gradually declined from 64 in the years 2012-13, to 45 in 2019-20. (due to amalgamation), in detail, the table shows that during the period of 2013-14 to 2017-18 the number of RRBs was constant and gradually declined to 45 in 2019-20. The number of branches established was increased from 17861 to 21850 during the study period, but in 2019-20, the branches of RRBs have marginally decreased. The number of districts covered by RRBs has also shown an increasing trend during the study period. In 2012-13, 635 districts were covered and it was progressively increased year by year and reached 650 districts in the end year of the study. 2019-20. Standard Deviation of the number of RRBs in India is 5.23, Number of districts covered is 15.08 and number of branches are 1483.75. When comparing the coefficient of Variance with the number of regional rural banks, district covered period and number of branches of RRBs in India, the number of districts covered is more consistent than other parameters. Therefore, it indicates that there is an insignificant boom of branches of Regional Rural Banks in India.

2. Credit to Deposit Ratio of Regional Rural Banks (RRBs):

Credit-deposit ratio helps in assessing a bank's liquidity and indicates its health. If the ratio is too low banks may not be earning as they could be and if the ratio is too high it means banks might not have enough liquidity to cover any unforeseen fund requirements. The proportion of credit deployed to the deposit mobilised is known as credit deposit ratio.

Table 2: DEPOSIT, ADVANCES AND CREDIT TO DEPOSIT RATIO OF RRBs IN INDIA (AMOUNT IN CRORES)

| Year | Total Advances of RRBs | Growth in Advances of RRBs | Total Deposits of RRBs | Growth in Deposits of RRBs | Credit Deposit Ratio |
|---------|------------------------|----------------------------|------------------------|----------------------------|----------------------|
| 2012-13 | 137078 | | 211488 | | 64.81 |
| 2013-14 | 159407 | 16.29 | 239494 | 13.24 | 66.56 (2.70) |
| 2014-15 | 180955 | 13.51 | 273018 | 13.99 | 66.27 (-0.43) |
| 2015-16 | 206538 | 1.14 | 313499 | 1.15 | 65.88 (-0.59) |
| 2016-17 | 226175 | 1.25 | 371910 | 1.36 | 60.81 (-7.69) |
| 2017-18 | 253978 | 1.40 | 400459 | 1.47 | 63.42 (4.29) |
| 2018-19 | 280755 | 1.55 | 434444 | 1.59 | 64.62 (1.89) |
| 2019-20 | 298214 | 1.65 | 478737 | 1.75 | 62.29 (-3.60) |
| Mean | 217888 | | 340381 | | 64.33 |
| S.D. | 57593 | | 96099 | | 2.02 |
| C.V. | | | | | 3.14 |

Sources: Annual Reports of NABARD

Note: Figures in parenthesis indicate the percentages increased and decreased over the previous year.

Table 2 reveals that the amount of advances issued by RRBs has increased to 298214 crore from 137078 crore during the study period, registering a growth of 10.20%. The deposit of RRBs increased from 211488 crore as on 31 March 2013 to 478737 crore as on 31 March 2020 registering an increase of 10.75%. The mobilisation of deposits has been increased gradually during the study period and average deposit mobilised is Rs. 340381 crore. Further, It is depicted from the table that the range of Credit deposit Ratio of the RRBs has recorded an average of 64.60 % over the study period. The S.D is 2.02 which is very less, indicating a high degree of uniformity of observation as well as homogeneity of the series. Hence the overall efficiency and performance of the RRBs in terms of credit and deposit is satisfactory.

TREND IN CREDIT DEPOSIT RATIO OF RRBs IN INDIA

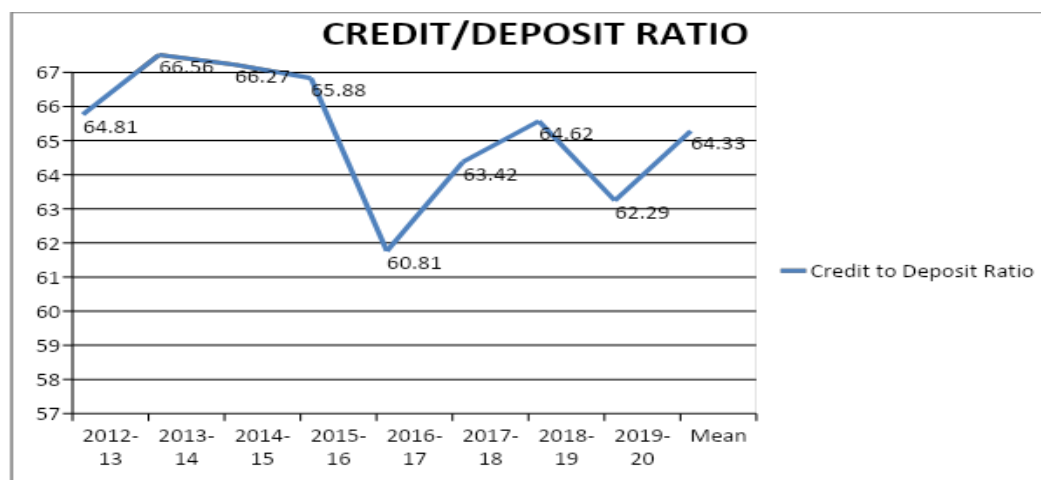


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3. INVESTMENT TO DEPOSIT RATIO: Investment to deposit ratio shows that which amount of deposit is used as investment. The table 3 presents the total investment and total deposit of the Regional Rural Banks in India from 2012-13 to 2019-20.

Table 3: Trends in the Growth Rate of Investment, Deposit and investment Deposit Ratio of the RRBs (Amount in Crores)

| YEAR | INVESTMENT | % OF GROWTH | DEPOSIT | % OF GROWTH | INVESTMENT -DEPOSIT RATIO |
|---------|------------|-------------|---------|-------------|---------------------------|
| 2012-13 | 125903 | 100.00 | 211488 | 100.00 | 59.53 |
| 2013-14 | 139632 | 110.90 | 239494 | 113.24 | 58.30 |
| 2014-15 | 162781 | 129.29 | 273018 | 129.09 | 59.62 |
| 2015-16 | 169592 | 134.70 | 313499 | 148.23 | 54.09 |
| 2016-17 | 210984 | 167.58 | 371910 | 175.85 | 56.72 |
| 2017-18 | 222666 | 176.85 | 400459 | 189.35 | 55.60 |
| 2018-19 | 226172 | 179.63 | 434444 | 205.42 | 52.06 |
| 2019-20 | 250859 | 199.25 | 478737 | 226.36 | 51.43 |
| Mean | 188574 | 149.77 | 340381 | 160.94 | 55.91 |
| S.D | 45207 | 35.90 | 96100 | 45.44 | 3.19 |
| C.V. | 23.97 | 23.97 | 28.23 | 28.23 | 5.70 |

Source: Data Compiled Balance Sheet of Regional Rural Banks

The investment of RRBs was increased from 125903 crore as on 31 March, to 250809 crore as on 31 March, 2020 registering a Annual growth of 9 percent. It has recorded a growth rate of vesting its funds in different avenues like different government securities and other investments etc. The amount of investment of RRBs gradually surged during the study period. The average standard deviation was Rs. 45207 and C.V. is 23.97%, which indicates that there is moderate degree of homogeneity of data. In terms of deposits, RRBs have gradually increased every year with a growth rate of 126.36(226.36). In the year 2012-13 the Investment Deposit Ratio was 59.56 and at the end of study period the invest Deposit Ratio decreased. It indicates a fluctuating trend and investment deposit constitutes an average of 55.91 percent of total deposit over the study period. It is revealed from the above analyses that RRBs are not properly using their deposits in different profitable sectors in the domestic and foreign arena, but on the other hand liquidity position of the RRBs is improving in the same period.

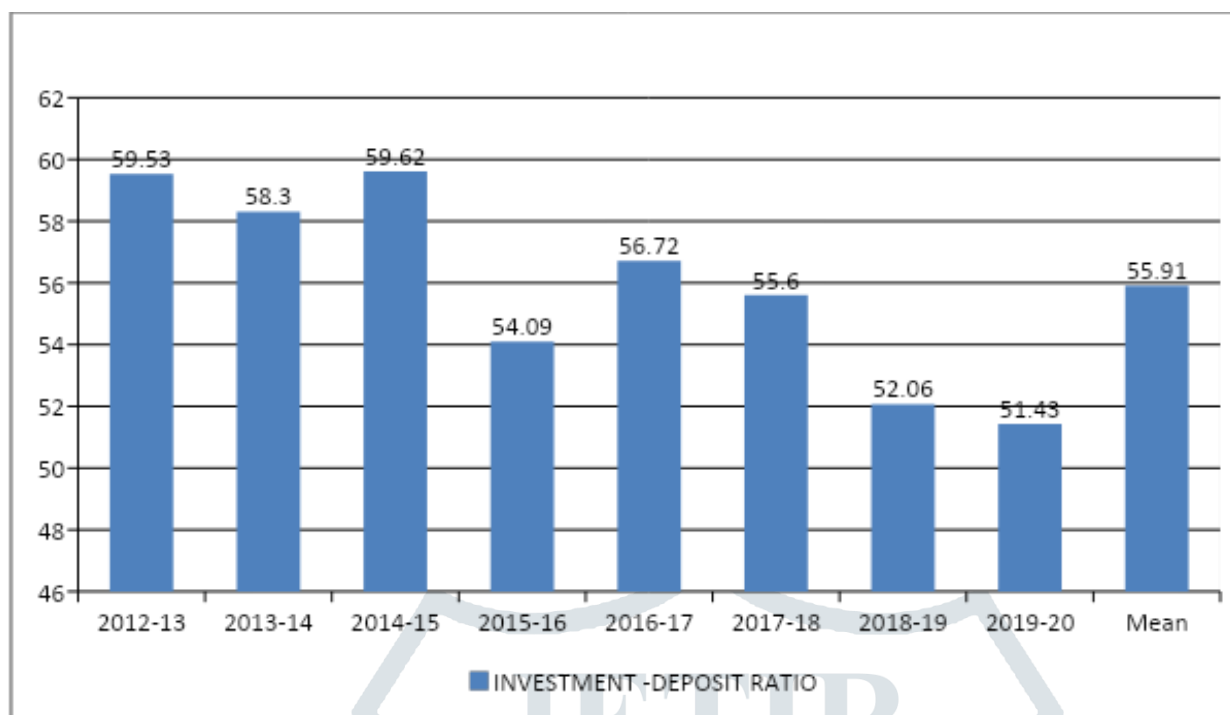


Figure No-2

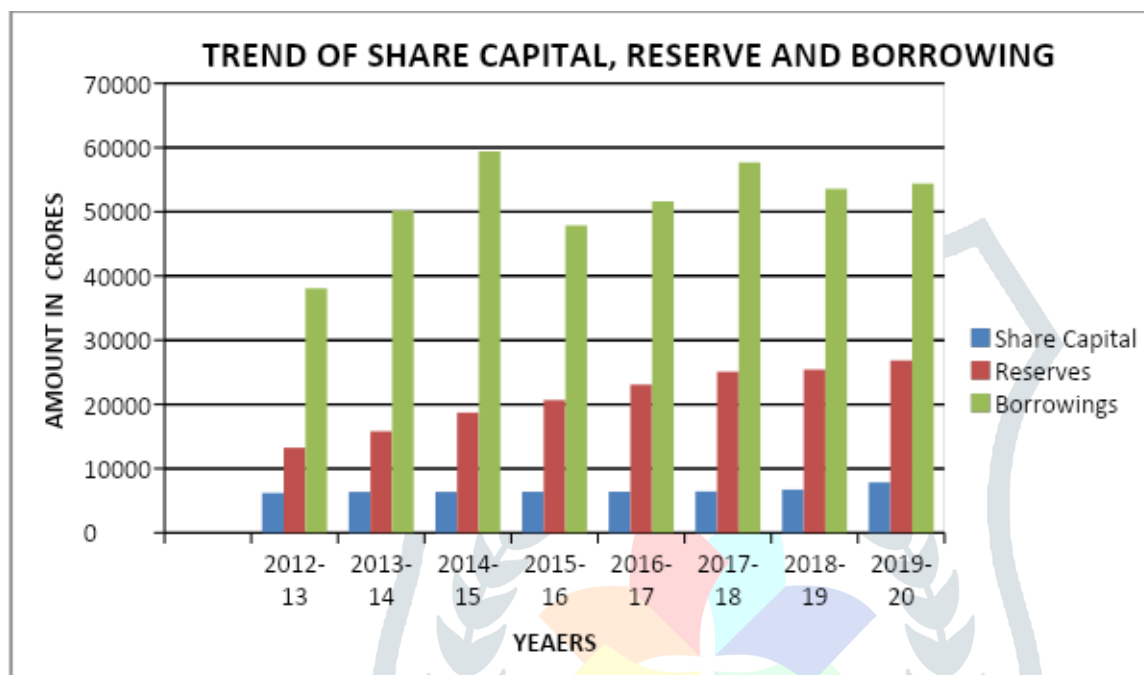
4. Growth rate of Share Capital, Reserves and Borrowings:

Table 4: Trends of share Capital, Reserves and borrowings of Regional Rural Bank (Rs. in crores)

| YEAR | SHARE CAPITAL | | Reserves | | BORROWINGS | |
|---------|---------------|-----------|----------|-----------|------------|-----------|
| | Amount | Trend (%) | Amount | Trend (%) | Amount | Trend (%) |
| 2012-13 | 6198 | 100.00 | 13247 | 100.00 | 38073 | 100.00 |
| 2013-14 | 6367 | 102.72 | 15806 | 119.32 | 50230 | 131.93 |
| 2014-15 | 6372 | 102.81 | 18712 | 141.25 | 59422 | 156.07 |
| 2015-16 | 6387 | 103.05 | 20665 | 156.00 | 47888 | 125.78 |
| 2016-17 | 6401 | 103.27 | 23080 | 174.22 | 51588 | 135.50 |
| 2017-18 | 6436 | 103.84 | 25083 | 189.34 | 57647 | 151.41 |
| 2018-19 | 6721 | 108.44 | 25398 | 191.73 | 53548 | 140.64 |
| 2019-20 | 7849 | 126.64 | 26814 | 202.41 | 54393 | 142.86 |
| Mean | 6591 | 106.35 | 21100 | 159.28 | 51598 | 135.52 |
| S.D. | 528.31 | 8.52 | 4876.98 | 36.81 | 6633.04 | 17.42 |
| C.V. | 8.01 | 8.01 | 23.11 | 23.11 | 12.85 | 12.85 |

Source: Annual Report of NABARD

The table shows the trend value of share capital, reserves and surplus and borrowings over the eight years period under study (2012-13 to 2019-20). Growth of share capital of RRBs is increasing with a percentage of 26.64 (126.64). Similarly in the terms of reserve and surplus, it is also in increasing trend with the growth rate of 102.41% (202.41). It has jumped up Rs. 13247 crore to Rs.26814 crore during 8 years period. Similarly the borrowing is collected by the banks to meet the short term and long term credit needs. The growth of the borrowings of RRBs in India has increased according to the credit needs of the RRBs. The borrowings of the RRBs have also jumped 1.35 times in 2012-13 to 2019-20. It has increased to Rs. 54393 crore in 2019-20 from 38073 crore in 2012-13 with a CAGR of 4.56%. It indicates that the dependence on the external debt has increased during the study period. The average growth rate of the capital is 106.35%, reserve and surplus is 159.28 and borrowing is 135.52 % during the study period. The Standard Deviation of share capital 8.52, reserves and surplus are 36.81, and borrowings 17.42. When compared to the coefficient of Variance with share capital, reserves and borrowings of the RRBs in India, share capital is more consistent than reserves and borrowings.



5. Profitability Position of Regional Rural Banks:

Table 5: Analysis of Profitability position of Regional Rural Banks (Amount Rs. In Crore)

| Years | Profitability position of Regional Rural Banks | | | | | | Net Profit per RRBs (in Crore) | Net Profit / Net Loss |
|---------|--|-----------------------|------------------------------|------------|---------------------|------------------------------------|--------------------------------|-----------------------|
| | No. of RRBs | No. of RRBs in Profit | Percentage of RRBs in Profit | Net Profit | No. of RRBs in Loss | No. of making loss RRBs (In Crore) | | |
| 2012-13 | 64 | 63 | 98.43 | 2275 | 1 | 2 | 36 | +2273 |
| 2013-14 | 57 | 57 | 100.00 | 2694 | 0 | 0 | 47 | +2694 |
| 2014-15 | 56 | 51 | 91.07 | 2921 | 5 | 176 | 54 | +2745 |
| 2015-16 | 56 | 50 | 89.28 | 2206 | 6 | 188 | 40 | +2166 |
| 2016-17 | 56 | 49 | 87.50 | 2604 | 7 | 387 | 45 | +2217 |
| 2017-18 | 56 | 45 | 80.35 | 2530 | 11 | 1005 | 34 | +1525 |
| 2018-19 | 53 | 39 | 73.58 | 1759 | 14 | 2411 | 17 | -652 |
| 2019-20 | 45 | 26 | 57.77 | 2203 | 19 | 4409 | 85 | -2206 |

Source: Annual Report of NABARD from 2012-20

According to Data published by NABARD, RRBs as a group reported a net loss of Rs. 2206 crore in the financial year 2019-20 as against Rs. 652 crore net losses in 2018-19. During the financial year 2019-20, twenty six (26) RRBs earned a profit of Rs. 2203 crore, while 19 incurred losses of Rs. 4409 crore. The performance of RRBs in terms of profitability has been mixed during the study period. Above table indicates the profit of RRBs during 2014-15 is 2921 crore which was the highest growth of 28.39 % as compared to the year 2012-13. Net profit decreased to Rs. 476 crore in 2018-19 as compared to the year 2012-13 and again jumped to 2203 crore at the end of the study period.. In 2013-14, all 57 RRBs had earned a profit. First time in over 20 years, RRBs as a whole reported a net loss in 2018-19. It was due to the implementation of a revised pension scheme.

6. RETURN ON ADVANCES AND COST OF DEPOSITS:

Return on advances is calculated by dividing the interest earned on advances to total advances. It shows the average yield on advances. Higher the return on advances indicates higher the income of a bank. The higher level of return on advances reflects greater financial efficiency. In order to increase the size of spread, generally banks prefer to increase their return on advances and decrease their cost of deposits. The Cost of Deposits, which is based on interest paid by the bank divided by the deposit amount, has a direct impact on the profitability. The higher cost of deposit means lower financial efficiency and vice versa.

Table 6: Trend of Return on advances and cost of deposit of RRBs in India

| Year | Interest Earned | Total Average Advances | Return on Advance Ratio (%) | Interest Expended | Total Average Deposit | Cost of Deposits (%) | Net Interest Margin (%) |
|---------|-----------------|------------------------|-----------------------------|-------------------|-----------------------|----------------------|-------------------------|
| 2012-13 | 10953 | 137078 | 7.99 | 10194 | 211488 | 4.82 | 3.17 |
| 2013-14 | 13852 | 159407 | 8.69 | 12741 | 239494 | 5.32 | 3.37 |
| 2014-15 | 16449 | 180955 | 9.09 | 15562 | 273018 | 5.70 | 3.39 |
| 2015-16 | 18093 | 206538 | 8.76 | 17869 | 313499 | 5.70 | 3.06 |
| 2016-17 | 18705 | 226175 | 8.27 | 20046 | 371910 | 5.39 | 2.88 |
| 2017-18 | 20420 | 253978 | 8.04 | 20063 | 400459 | 5.01 | 3.03 |
| 2018-19 | 21095 | 280755 | 7.51 | 19897 | 434444 | 4.58 | 2.93 |
| 2019-20 | 23440 | 298214 | 7.86 | 22405 | 478737 | 4.68 | 3.18 |

Source: Annual Report of NABARD

Table 6 depicts the trend of return on advances and cost of deposit of RRBs during the study period. On the basis of above data it was examined that the return on advances was 7.99 % in 2012-13 which was improved till 2017-18 and stood at 8.04% due to the margin of return on advances being more than the cost of deposit during the study period. It is observed that interest earned on loan and advances has increased approximately 161136 crore in 8 years with 8.08 % of CAGR, which indicates the sound efficiency in the RRBs. On the other side, the table also showed the Net interest margin (NIM) decreasing marginally 3.17 percent to 2.88 percent from 2012-13 to 2016-17. Although the Net interest margin range is 3.17 to 3.18 during the given period. It indicates that Regional Rural Banks in India are improving their profitability as well as efficiency during the study period.

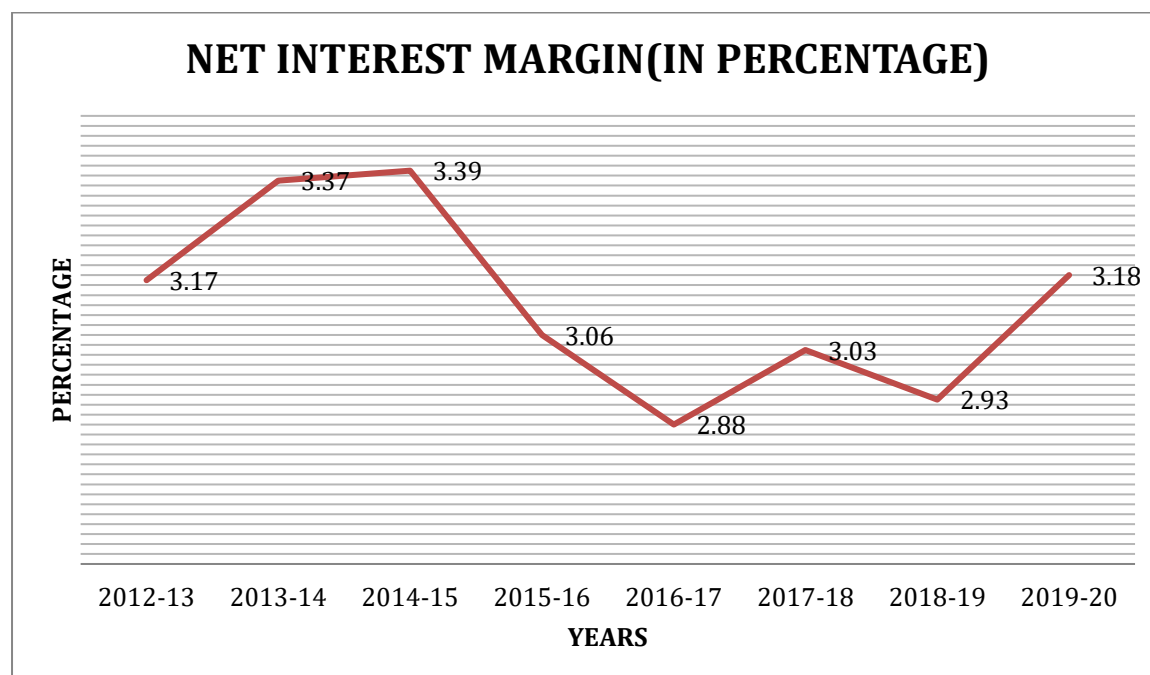


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7. GROWTH PATTERN OF NON-PERFORMING ASSETS (NPA):

Table 7: Percentage of Gross NPA to Loans of RRBs in India (Rs in Crores)

| Years | Gross Loans | Gross NPA | Gross NPA % | Net NPA% |
|---------|-------------|-----------|-------------|----------|
| 2012-13 | 137078 | 8334 | 6.08 | 3.78 |
| 2013-14 | 159407 | 9707 | 6.09 | 3.52 |
| 2014-15 | 180955 | 11128 | 6.15 | 3.64 |
| 2015-16 | 206538 | 14044 | 6.80 | 4.23 |
| 2016-17 | 226175 | 18252 | 8.07 | 5.06 |
| 2017-18 | 253978 | 24052 | 9.47 | 5.90 |
| 2018-19 | 280755 | 30321 | 10.80 | 6.81 |
| 2019-20 | 298214 | 31104 | 10.43 | 5.83 |
| Mean | | | 7.98 | 4.84 |
| S.D | | | 2.00 | 1.23 |
| C.V | | | 25.06 | 25.41 |

Source: Annual Report of NABARD

Table 7 concluded that the Gross NPA of all RRBs is increasing in percentage, the gross NPA increased from 8334 crore in 2012-13 to 31104 crore in 2019-20. Table also shows the gross non-performing assets (NPAs) ratio increased 10.43 percent, from 6.98 percent at the end of the financial year 2019-20, but it is found from the table that the gross NPAs marginally declined to 10.40 percent as on 31 march 2020 from 10.8 percent as on previous year. The Net NPA ratio was 5.84 percent, against 3.78 percent in 2019-20. Net NPAs of RRBs have gradually surged from 2012-13 to 2019-20. It clearly indicates that the credit defaulters of the RRBs have been increasing over the study

period. So it is recommended to the regulators and RRBs officials to take necessary steps to reduce the NPAs and improve the necessary mechanism.

8. RETURN ON ASSETS (ROA):

The return on Assets (ROA), which is often called a firm's return on total assets, measures the overall effectiveness of management in generating profit with its available assets.

Table 8: Trends of Return on Assets

| Year | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|------|---------|---------|---------|---------|---------|---------|---------|---------|
| ROA | 0.88 % | 0.94 % | 0.83 % | 0.53 % | 0.51 % | 0.32 % | -0.13 % | -0.40 % |

The percentage of trend of return on assets ratio significantly decreased during the study period. i.e. 0.88%, 0.94%, 0.83%, 0.53%, 0.51%, 0.32%, -0.13%, and -0.40% respectively. The RRBs' return on asset was increased in the year 2012-13 to 2014-15 and after that it was decreasing year by year in the study period. It was negative in the last two year during the study period. The positive figure indicates that the bank is performing well. It indicates that the RRBs are performing well but not like in 2012-15 but sharply decreasing and found negative in the last two years of the study period. It indicates that RRBs are not performing well.

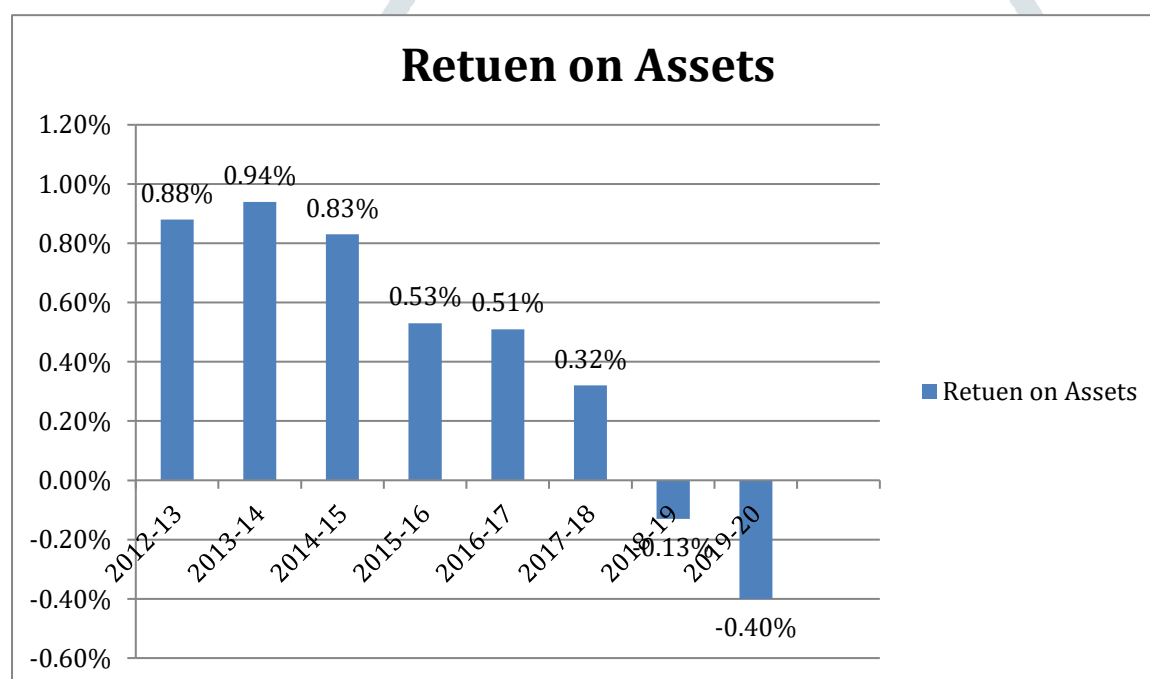


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VI. FINDINGS OF THE STUDY:

- The total deposits of the Regional Rural Banks have increased significantly for the study period. Deposits of RRBs increased from Rs. 211488 crore in 2012-13 to Rs. 478737 crore in 2019-20, registering a growth rate of more than 10.75%.
- The amount of advances also showed a rising trend like deposits, which surged to Rs. 298214 crore in 2019-20 from Rs.137078 crore in 2012-13 with the Compound annual growth rate of 10.20 percent, i.e. 2.18 times more than 2012-13.
- The aggregate Credit deposit ratio of RRBs over the years shows the flexible trend. Credit Deposit Ratio of the RRBs was recorded 60% to 66% over the study period. The average C/D ratio was 64.33 %.
- The investment of regional rural banks gradually surged from Rs, 125903 crore to Rs 250859 crore during the study period, registering a growth rate of 9 percent. The Investment Deposit Ratio of the RRBs stood at 51.43 percent as against 59.43 percent in 2012-13. It is in a decreasing trend. It means that RRBs are not properly using their deposits in different profitable sectors in the domestic and foreign arena, on the other hand RRBs maintain a good liquidity position. Total gross loans issued by the RRBs have recorded Rs. 298214 crore in 2019-20 from Rs.137078 I 2012-13.

- The Share capital of the RRBs shows an increasing trend during the study period. It was registered with a compound annual growth rate (CAGR) 3% from 2012-13 to 2019-20. Reserves of the RRBs were also increased. It has jumped up Rs. 13247 crore to Rs.26814 crore in 8 years. Borrowings of Regional Rural Banks (RRBs) have also jumped 1.35 times in 2012-13 to 2019-20. It has increased from 38073 crore in 2012-13 to Rs. 54393 crore in 2019-20 with a CAGR of 4.56%. It indicates that the dependence on the external debt has increased during the study period.
- Number of branches of RRBs has expanded to 21847 throughout 2019-20 from 17861 throughout 2012-13, i.e 1.23 times. After post-merger , the number of RRBs in India has decreased to 45 in 2019-20 from 64 in 2012-13.
- At the end of the study period 2019-20, twenty six (26) RRB earned profit of Rs. 2203 crore, while 19 incurred losses of Rs. 4409 crore. The performance of RRBs in terms of profitability has shown mixed.
- Net interest margin range was 3.17 to 3.18 during the given period. It indicates that Regional Rural Banks in India are improving their profitability as well as efficiency during the study period.
- The percentage of Net NPA to total loans and advances ratio significantly increased during the study period. I.e. 3.78%, 3.52 %, 3.64%, 4.23%, 5.06%, 5.90%, 6.81%, and 5.83% respectively. The main reason for increased NPA was poor recovery of loans

V11. CONCLUSION AND SUGGESTIONS :

Rural development plays a significant role in the development of any nation and our rural banking system is playing a vital role in the economic development of the country, which cannot be overlooked. As Gandhi said, “real India lies in the villages” and village economy is the backbone of Indian economy. To grow and revitalise the village economy, Regional Rural Banks (RRBs) were established by the Government of India in 1975. The rapid growth and expansion of RRBs have assisted in decreasing substantially the regional disparities in respect of banking services. The study finds that the efforts made by RRB in its branch expansion, number of districts covered, deposit mobilisation, rural development and credit deployment to weaker sections of rural areas are appreciable. Regional rural banks successfully achieve their prime objectives by offering banking facilities and services to door steps of rural households particularly in banking deprived rural areas, to avail easy and cheaper loans to rural sections, and promote rural saving for productive purposes and also providing loans and generating employment in rural areas.

It is concluded that the branch establishment of RRBs was declined at the end of the study period due to merging of RRBs branches in sponsoring banks. The number of branches and the number of districts covered was registered an increasing trend during the study period. In terms of total deposits and loans and advances there was a substantial increase of RRBs during the study period. From the beginning of their operations, the RRBs has concentrated on expanding credit services as reflected in the credit deposit ratio, which has shown a fluctuating trend from 64.81% in 2012-13 to 62.29% in 2019-20. Borrowings of Regional Rural Banks (RRBs) have also jumped 1.35 times in 2012-13 to 2019-20. It indicates that the dependence on the external debt has increased during the study period. It should be reduced and try to make the debt equity ratio optimum for reducing the dependency on the external debts. The percentage of trend of return on assets ratio significantly decreased during the study period. It indicates that RRBs are not performing in full capacity. The officials of the RRBs should pay attention to reducing the NPAs and other non-operating expenses.

Government should take some more effective remedial steps to make rural banks viable. Banks should be well versed with local people and their customers to overcome their problems. The RRBs should adopt suitable strategies to develop banking habits and practices among the local people. Staff should conduct more training sessions with local people and impart knowledge about saving and investment in a variety of ways. Rural banks need to remove lack of transparency in their operations which leads to an unequal relationship between banker and customer. Banks should open their branches in those areas where customers are not able to avail banking facilities. It was found from the study that most of the key performance indicators of RRBs showed a good performance. Finally, It was concluded that the Regional Rural Banks have made a remarkable performance.

V111. REFERENCES

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