



A Comparative Study of Regional Rural Banks in Gujarat State

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1. ABSTRACT

Regional Rural Banks (RRBs) play an important role in the agriculture and rural development of Gujarat. The RRBs have more reached to the rural area of Gujarat, through their huge network. The success of rural credit in Gujarat largely depends on their financial strength. RRBs are a significant source of finance for rural areas, and they are in charge of providing credit for various forms of agricultural credit there. The majority of regional rural banks are currently dealing with issues including past due, recovery, non-performing assets, and other issues. In Gujarat, two RRBs are functioning. The financial performance of RRBs in Gujarat needs to be compared as a result. This paper attempts to analyze the comparison of financial performance of RRBs in Gujarat as on 31st March 2022. The study is based on secondary data collected from annual reports of RBI and RRBs. An analytical research design of Key Performance Indicators Analysis such as number of districts covered and branches, deposits, loans, investments, recovery and productivity are followed in the present study. The study concludes that Baroda Gujarat Gramin Bank (BGGB) is the largest bank of Gujarat in district coverage and branch network. The productivity of Baroda Gujarat Gramin Bank (BGGB) is high in comparison of Saurashtra Gramin Bank.

Key words: Baroda Gujarat Gramin Bank (BGGB), Saurashtra Gramin Bank (SGB), Performance Indicators Analysis.

2. INTRODUCTION

Gujarat is agriculturally based state and its maximum population stays in rural area. The RRBs play a significant role in agricultural financing. Regional Rural Banks were established under the provisions of an Ordinance promulgated on the 26th September 1975 and the RRB Act, 1976 with an objective to ensure sufficient institutional credit for agriculture and other rural sectors. The RRBs mobilize financial resources from rural / semi-urban areas and grant loans and advances mostly to small and marginal farmers, agricultural laborers and rural artisans. The area of operation of RRBs is limited to the area as notified by GoI covering one or more districts in the State. RRBs are jointly owned by GoI, the concerned State Government and Sponsor Banks; the issued capital of a RRB is shared by the owners in the proportion of 50 Percent, 15 Percent and 35 Percent respectively. RRBs started their development process on 2nd October 1975 with the formation of a single bank (Prathama Gramin Bank). GOI initiated the process of structural consolidation of RRBs by amalgamating RRBs sponsored by the same bank within a state as per the recommendations of the Vyas Committee (2004). The RRBs in Gujarat have had a long standing of nearly more than thirty years. The main objective of these institutions has been to promote the agricultural sector. But as the time passed by, they were made to accept the functions of sponsor, commercial and Nationalized Banks. The amalgamated RRBs also benefit from larger area of operation, enhanced credit exposure limits for high value and diverse banking activities. As a result of amalgamation, number of the RRBs has been reduced from 196 to 56 as on 31 March 2015. The number of branches of RRBs increased to 20,024 as on 31 March 2015 covering 644 districts throughout the country. Under the amalgamation process in 2005 RRBs of same sponsor banks were merged. Accordingly, Panchmahal Vadodara Gramin Bank, Surat Bharuch Gramin Bank and Valsad Dang Gramin Bank were amalgamated as Baroda Gujarat Gramin Bank. Similarly, Banaskantha Mehsana Gramin Bank, Kutch Gramin Bank and Sabarkantha Gandhinagar Gramin Bank were merged in as Dena Gujarat Gramin Bank.

Government of India vide its gazette notification number 855, dated 22-Feb-2019 announced to amalgamate 2 RRBs namely Baroda Gujarat Gramin Bank sponsored by Bank of Baroda and Dena Gujarat Gramin Bank sponsored by Dena bank effective from 01-

Apr-2019. The name of new entity remains same as “Baroda Gujarat Gramin Bank” under sponsorship of Bank of Baroda. At present in Gujarat two RRBs functioning- Saurashtra Gramin Bank and Baroda Gujarat Gramin Bank.

3. REVIEW OF LITERATURE

1. Abhay Kumar Kapre and Anil Kumar Soni (March 2013) conduct a study on a comparative study of regional rural banks in Chhattisgarh state. They analyze the comparison of financial performance of RRBs in Chhattisgarh as on 31st March 2011. The study concludes that Chhattisgarh Gramin Bank (CGB) is largest bank of Chhattisgarh in district coverage and branch network but the productivity of Chhattisgarh Gramin Bank (CGB) is low in comparison of Durg Rajnandgaon Gramin Bank (DRGB) and Sarguja Kshetriya Gramin Bank (SKGB).
2. Ibrahim M. S. (October 2010) examine the performance evaluation of regional rural banks in India. The main objective of this paper is to examine whether the merger/amalgamation of Regional Rural Banks in India, undertaken in 2005-06 has helped improve their performance. For analysis of this study is diagnostic and exploratory in nature and makes use of secondary data. The study concludes that performance of rural banks in India has significantly improved after amalgamation process which has been initiated by the Government of India.
3. Kopra S. S. (2017) conduct a study on A Comparative Study of Regional Rural Banks in Maharashtra State. The main objective of this study is to analyze the comparison of financial performance of RRBs in Maharashtra as on 31st March 2013. The study is based on secondary data collection form annual reports of RBI, NABARD and RRBs. The study concludes that Maharashtra Gramin Bank (MGB) is the largest bank of Maharashtra in district coverage and branch network but the productivity of Vidharbha Konkan Gramin Bank (VKGB) is low in comparison of Maharashtra Gramin Bank (MGB).
4. Likitha Kodimela and Renuka A. (2019) conduct a study on Comparative study on regional rural banks. The main objective of the study is to give banking administrations in already unbanked or under-banked provincial zones. The study is based on primary data which is collected from Personal correspondence, Questionnaire strategy and secondary data which collected from various Website, organization Data base and past investigations. The study finding and concluding that the 111 RRBs out of all out 133 enlisted benefits in the year 2016-17. RRBs' presentation in regard of some significant pointers was absolutely superior to that of business banks or even cooperatives.
5. Reddy A. Amarender (March 2006) conduct a study on productivity growth in Regional Rural Bank. The researcher examines total factor productivity technical and scale efficiency changes in regional rural banks by using data from 192 banks for the period of 1996 to 2002. The study conclude that rural banks showed significant economies of scale in terms of assets and number of branches under each bank.

4. OBJECTIVES OF STUDY

- To comparative study of RRBs in Gujarat.
- To analyze the key performance indicators of RRBs in Gujarat.
- To measure financial performance of RRBs in Gujarat.
- To offer suggestions helpful in improving functions on the basis of conclusion.

5. HYPOTHESIS OF STUDY

RRBs in Gujarat are important banks of state as far as its role in agricultural credit and rural development of state is concerned. Some of the important hypotheses regarding the performance of RRBs in Gujarat have been formulated as below:

- The RRBs in Gujarat have made a substantial quantitative progress.
- he qualitative progress of RRBs in Gujarat has been found to be highly impressive.
- The macro performance is highly substantial.

6. SIGNIFICANCE OF STUDY

The research study is significant to evaluate financial performance of RRBs in Gujarat. The results / findings of the present study are useful to the policy planners in their efforts to improve the working of RRBs in Gujarat.

7. SCOPE AND LIMITATIONS OF STUDY

The study is considered only financial analysis factor another factor are ignored.

The study covers a specific period of 2021-22.

Findings may not always be relevant to other district in the state / country.

8. AREA OF STUDY

The study is based on the performance of RRBs in Gujarat. Therefore, study covers state of Gujarat to the fulfillment of objectives of the study.

9. PERIOD OF STUDY

For collection of the secondary data on financial performance of the RRBs in Gujarat year was selected 2021-22 for reference period.

10. TOOLS AND TECHNIQUES USED FOR DATA ANALYSIS

The comparative analysis of RRBs in Gujarat has been analyzed with the help of key performance indicators.

Analytical Techniques Employed – key performance indicators analysis was undertaken with a view to studying comparative financial performance related to the regional rural banks.

11. TYPE OF DATA AND METHOD OF COLLECTION OF DATA

The present study is empirical in character based on the analytical method. The study is mainly based on secondary data which is collected, compiled and calculated from annual reports of NABARD, RBI and RRBs of Gujarat. Other related information collected from journals and websites.

12. DATA ANALYSIS AND INTERPRETATION

COMPARISON OF REGIONAL RURAL BANKS – KEY PERFORMANCE INDICATORS

Presents the Key Performance Indicators of RRBs in Gujarat as on FY 2021-22		
Items / Indicators	SGB	BGGB
Sponsored Bank	SAURASHTRA GRAMIN BANK	BARODA GUJARAT GRAMINBANK
District Covered	11	22

Total Branches	257	487
Rural Branches	162	330
Semi Urban Branches	33	106
Urban Branches	54	27
Metropolitan	8	24
Share Capital	245343	782807
Share Capital Deposit	77494941	107570567
Reserves	6231316	3911855
Total Owned Funds	89610293	121654850
Borrowings	3386896	7190559
Investments	17404773	49080576
Loan issued as on FY 2021-22	44798046	39974569
Recover Percent	95.94%	81.70%
Net Profit After Tax	1850424	292174
Net NPA Percent	2.19%	1.01%
Productivity Per Branch	519343	341095
Productivity Per Staff	141389	86743
Source: Annual Reports of SGB And BGGB. (Figures: Rs. In Thousand.)		

Table 1: Presents the Key Performance Indicators of RRBs in Gujarat as on FY 2021-22.

13. FINDINGS

The key performance indicators of RRBs in Gujarat are presented in Table 1.

All the indicators exhibit positive and significant growth.

Followings are major observation and findings.

- The Baroda Gujarat Gramin Bank (BGGB) is largest district covered bank in Gujarat then Saurashtra Gramin Bank (SGB).
- The Baroda Gujarat Gramin Bank (BGGB) is largest bank in Branch Network then Saurashtra Gramin Bank (SGB).
- The share capital of Baroda Gujarat Gramin Bank (BGGB) is Rs.782807 thousand and others are Rs 245343 thousand.
- The total owned funds of Baroda Gujarat Gramin Bank (BGGB) are Rs.121654850 thousand and Saurashtra Gramin Bank (SGB) is Rs 89610293 thousand.
- The Baroda Gujarat Gramin Bank (BGGB) provided maximum borrowing compared to Saurashtra Gramin Bank (SGB).
- The Baroda Gujarat Gramin Bank (BGGB) accepted/ received maximum deposit in Gujarat compared to Saurashtra Gramin Bank (SGB).
- The Saurashtra Gramin Bank (SGB) issued maximum loan in comparison Baroda Gujarat Gramin Bank (BGGB).
- The recovery performance of Saurashtra Gramin Bank (SGB) is highest compared to Baroda Gujarat Gramin Bank (BGGB).
- The Net NPA of Saurashtra Gramin Bank (SGB) is higher than Baroda Gujarat Gramin Bank (BGGB).
- The productivity per Branch of Saurashtra Gramin Bank (SGB) is higher than Baroda Gujarat Gramin Bank (BGGB).
- The productivity per Staff Saurashtra Gramin Bank (SGB) is higher than Baroda Gujarat Gramin Bank (BGGB).

14. LIMITATIONS OF THE STUDY

The main limitations of the study are as follows;

1. The Data were collected through secondary data from articles and publication; there are chances of biased information provided by the respondents.
2. The Present Study is limited to Regional Rural Banks in Gujarat State only.
3. The Research is based on the Secondary data and the Tools used have their own Limitations.
4. This Study is limited to the Regional Rural Banks of Gujarat. So, the generalization of conclusions of the study may therefore not have universal applicability.
5. The Study does not include all the Regional Rural Banks in India. So, the interpretations and findings of this study cannot be generalized without further supporting Researches.

15. FUTURE SCOPE OF THE STUDY

1. Geographically, this Study covers RRBs of Gujarat in India. The Study does not cover other RRBs of other State in India. This type of Study can be done in other RRBs in India like Maharashtra Gramin Bank, Andhra Pradesh Grameena Vikas Bank, etc.
2. The Same kind of Study can be done in future with more wide geographical Scope.
3. This study is a Performance Indicators Study which is a part of Banking and Finance which has a wide scope.

16. SUGGESTIONS

- Increasing ATMs and e-Lobby in rural areas
- Banks Use of rural credit cards with more credit value to be issued.
- The RRBs should modify their loan policies
- Accountability and transparency need to be brought in the execution of the schemes.

- The RRBs must maintain adequate liquid resources, margin, properly scrutiny of loans and should try to qualitative improvement to the staff.

- The RRBs should establish proper co-ordination with other institutional financing agencies, cooperative banks, commercial banks and local participants to enhance their capability and exploit untapped rural market.

- The RRBs must strengthen effective credit administration.

17. CONCLUSIONS

Government of India promoted Regional Rural Banks (RRBs) through the RRBs Act of 1976 to bridge the gap in the flow of credit to the rural poor. The RRBs 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 laborer, artisans and small entrepreneurs, and for matters connected therewith and incidental thereto”. Regional Rural Banks in Gujarat are an integral part of the rural credit structure of the state. As we analyze the data it shows that RRBs in Gujarat are working for the 360-degree development of rural area of state. In short, we can say that it providing rural Gujarat all round assistance and proved to be an institution where "Growth with Social Justice" exists.

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