A COMPARATIVE STUDY OF REGIONAL RURAL BANKS IN CHHATTISGARH STATE

ABHAY KUMAR KAPRE¹ & ANIL KUMAR SONI²

¹ Research Scholar, Pandit Sunder Lal Sharma Open University, Bilaspur, Chhattisgarh, Madhya Pradesh, India
² Research Scholar, Govt. V.Y.T. Auto PG College Durg, Chhattisgarh, Madhya Pradesh, India

ABSTRACT

Regional rural Banks plays a vital role in the agriculture and rural development of Chhattisgarh. The RRBs have more reached to the rural area of Chhattisgarh, through their huge network. The success of rural credit in Chhattisgarh largely depends on their financial strength. RRBs are key financing institution at the rural level which shoulders responsibility of meeting credit needs of different types of agriculture credit in rural areas. At present, most of the regional rural banks are facing the problems of overdue, recovery, non performing assets and other problems. In Chhattisgarh three RRBs are functioning. Therefore, it is necessary to comparative study of financial performance of RRBs in Chhattisgarh.

This paper attempts to analyze the comparison of financial performance of RRBs in Chhattisgarh as on 31st March 2011. The study is based on secondary data collected form annual reports of NABARD, RBI and RRBs. An analytical research design of Key Performance Indicators Analysis such as number of district covered and branches, deposits, loans, investments, recovery and productivity is followed in the present study. The study concludes that CGB is largest bank of Chhattisgarh in district coverage and branch network but the productivity of CGB is low in comparison of DRGB and SKGB.

KEYWORDS: Chhattisgarh, Regional Rural Banks, Key Performance Indicators, Durg Rajnandgaon Gramin Bank, Chhattisgarh Gramin Bank, Sarguja Kshetriya Gramin Bank

INTRODUCTION

Chhattisgarh is agricultural based state and its maximum population stays in rural area. The RRBs have plays an important 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 labourers 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 Chhattisgarh 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 RBI and NABARD undertook a bailout programme through the sponsor bankers. Added to this, they were subject to amalgamation that means 196 banks were reduced to 82 and in Chhattisgarh itself 5 banks were reduced to 3 banks. At present in Chhattisgarh three RRBs functioning – Chhattisgarh Gramin Bank (CGB), Sarguja Kshetriya Gramin Bank (SKGB) and Durg Rajnandgaon Gramin Bank (DRGB).
REVIEW OF LITERATURE

Literature review is a study involving a collection of literatures in the selected area of research in which the scholar has limited experience. In the past, various studies relating to the financial performance of Regional Rural banks have been conducted by researchers.

NABARD (1986) published “A study on RRBs viability”, which was conducted by Agriculture Finance Corporation in 1986 on behalf of NABARD. The study revealed that viability of RRBs was essentially dependent upon the fund management strategy, margin between resources mobility and their deployment and on the control exercised on current and future costs with advances. The proportion of the establishment costs to total cost and expansion of branches were the critical factors, which affected their viability. The study further concluded that RRBs incurred losses due to defects in their systems as such, there was need to rectify these and make them viable. The main suggestions of the study included improvement in the infrastructure facilities and opening of branches by commercial banks in such areas where RRBs were already in function.

In the year 1989 for the first time, the conceptualization of the entire structure of Regional Rural Banks was challenged by the Agricultural Credit Review Committee (Khusro Committee), which argued that these banks have no justifiable cause for continuance and recommended their mergers with sponsor banks. The Committee was of the view that “the weaknesses of RRBs are endemic to the system and non-viability is built into it, and the only option was to merge the RRBs with the sponsor banks. The objective of serving the weaker sections effectively could be achieved only by self-sustaining credit institutions.”

Reddy A. Amarender (March 2006) examines the total factor productivity of RRBs. In this Banks located in economically developed as well as low banking density regions exhibited significantly higher productivity growth.

R.C. Dangwal and Reetu Kapoor (2010) conducted a study on financial performance of commercial banks. In this study they compared financial performance of 19 commercial banks with respect to eight parameters and they classified the banks as excellent, good, fair and poor categories.

Pati A.P. (June 2010) explains that in India an array of financial institutions are operating in the area of rural financing. Among those institutions Regional Rural Banks (RRBs) are prominent. The idea was to provide efficient service to the rural sectors so that the rural economy could provide the necessary input to the overall economy.

OBJECTIVES OF STUDY

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

HYPOTHESIS OF STUDY

RRBs in Chhattisgarh 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 Chhattisgarh have been formulated as below-

• The RRBs in Chhattisgarh have made a substantial quantitative progress.
A Comparative Study of Regional Rural Banks in Chhattisgarh State

- The qualitative progress of RRBs in Chhattisgarh has been found to be highly impressive.
- The macro performance is highly substantial.

PROBLEMS OF STUDY

- First and important problem of the research work is analysis of financial data.
- Information from the RRBs in Chhattisgarh was difficult to be obtained as it a government organization and members were not interested to provide information.
- Frequent number of visit was made to RRBs to collecting data.

SIGNIFICANCE OF STUDY

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

SCOPE AND LIMITATIONS OF STUDY

- The study is consider only financial analysis factor other factors ignored.
- The study covers a specific period of 2010-2011.
- Findings may not always be relevant to other district in the state / country.

AREA OF STUDY

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

PERIOD OF STUDY

For collection of the secondary data on financial performance of the RRBs in Chhattisgarh year 2010-2011 was taken as the reference period.

RESEARCH METHODS

The comparative analysis of RRBs in Chhattisgarh 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.

DATA COLLECTION

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 Chhattisgarh. Other related information collected from journals and websites.

Regional Rural Banks in Chhattisgarh

The Regional Rural Banks in Chhattisgarh has actively contributed to the growth of the rural sector. The development of the rural business and economy has been dependent largely on the investment and financial aids provided by the Regional Rural Banks in Chhattisgarh.
Chhattisgarh Gramin Bank (CGB)

Chhattisgarh Gramin Bank has been established on 30.06.2006 with the amalgamation of erstwhile Bilaspur-Raipur Kshetriya Gramin Bank, Bastar Kshetriya Gramin Bank and Raigarh Kshetriya Gramin Bank in terms of provisions of Regional Rural Banks Act 1976. The authorized share capital of the Bank is Rs. 500.00 Lakh. The paid up share capital is Rs. 300.00 Lakh, This Bank is sponsored by State Bank of India. The shareholders of the Bank are Govt. of India (50 Percent), State Bank of India (35 Percent) and Govt. of Chhattisgarh (15 Percent). The Bank is operating in 14 districts of Chhattisgarh State with its Head Office at Raipur (Capital of Chhattisgarh State). Total branch network of the bank as on 31.03.2011 reached 266 includes 217 rural, 27 semi-urban and 22 urban branches.

Sarguja Kshetriya Gramin Bank (SKGB)

Sarguja Khetriya Gramin Bank has been established on 24.101979 under the provisions of Regional Rural Banks Act 1976. The authorized share capital of the Bank is Rs. 500.00 Lakh. The paid up share capital is Rs. 100.00 Lakh, This Bank is sponsored by Central Bank of India. The shareholders of the Bank are Govt. of India (50 Percent), Central Bank of India (35 Percent) and Govt. of Chhattisgarh (15 Percent). The Bank is operating in 2 districts of Chhattisgarh State with its Head Office at Ambikapur. Total branch network of the bank as on 31.03.2011 reached 90 includes 82 rural and 08 semi-urban branches.

Durg Rajnandgaon Gramin Bank (DRGB)

The DRGB Rajnandgaon established/ registered on 12th March 1980 under the provisions of Section 3 of the Regional Rural Banks Act, 1976 and in terms of the Extra Ordinary Gazette Notification No. F.1-1/80 RRBs (1) & (2) dated 12.03.1980 notified by the Government of India. The Bank is joint venture of Government of India, Government of Chhattisgarh and Dena Bank which is sponsor bank also. The Bank is a Scheduled Bank being included in second schedule in terms of the RBI Notification No. RPCD No. 176/INCL/311-80 dated 12.03.1980. Total branch network of the bank as on 31.03.2011 reached 112 includes 99 rural, 08 semi-urban and 05 urban branches. The Bank has its head office at Rajnandgaon.

COMPARISON OF REGIONAL RURAL BANKS – KEY PERFORMANCE INDICATORS

Table 1: Presents the Key Performance Indicators of RRBs in Chhattisgarh of Year 2010-2011.

<table>
<thead>
<tr>
<th>Items / Indicators</th>
<th>CGB</th>
<th>SKGB</th>
<th>DRGB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sponsored Bank</td>
<td>SBI</td>
<td>Central Bank of India</td>
<td>Dena Bank</td>
</tr>
<tr>
<td>District Covered</td>
<td>14</td>
<td>02</td>
<td>03</td>
</tr>
<tr>
<td>Total Branches</td>
<td>266</td>
<td>90</td>
<td>112</td>
</tr>
<tr>
<td>Rural Branches</td>
<td>217</td>
<td>82</td>
<td>99</td>
</tr>
<tr>
<td>Semi Urban Branches</td>
<td>27</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Urban Branches</td>
<td>22</td>
<td>----</td>
<td>5</td>
</tr>
<tr>
<td>Share Capital</td>
<td>300</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Share Capital Deposit</td>
<td>8472.16</td>
<td>633.92</td>
<td>2583.03</td>
</tr>
<tr>
<td>Reserves</td>
<td>4788.64</td>
<td>5708.90</td>
<td>3229.06</td>
</tr>
</tbody>
</table>
### Table 1: Contd.

<table>
<thead>
<tr>
<th></th>
<th>CGB</th>
<th>SKGB</th>
<th>DRGB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Owned Funds</td>
<td>13560.80</td>
<td>6442.82</td>
<td>5912.09</td>
</tr>
<tr>
<td>Borrowings</td>
<td>15175.11</td>
<td>1753.71</td>
<td>9907.07</td>
</tr>
<tr>
<td>Deposits</td>
<td>228975.79</td>
<td>104526.26</td>
<td>112459.30</td>
</tr>
<tr>
<td>Investments</td>
<td>171868.05</td>
<td>7534.18</td>
<td>81724.59</td>
</tr>
<tr>
<td>Loans</td>
<td>76557.75</td>
<td>34036.24</td>
<td>32349.65</td>
</tr>
<tr>
<td>Loan issued during 2010-2011</td>
<td>41964.09</td>
<td>17110.62</td>
<td>14385.00</td>
</tr>
<tr>
<td>Recover Percent</td>
<td>77.95</td>
<td>80.18</td>
<td>80.93</td>
</tr>
<tr>
<td>Net Profit After Tax</td>
<td>3711.17</td>
<td>1665.23</td>
<td>1060.91</td>
</tr>
<tr>
<td>Loss Amount</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Net NPA Percent</td>
<td>6.21</td>
<td>2.44</td>
<td>1.73</td>
</tr>
<tr>
<td>Productivity Per Branch</td>
<td>1448.62</td>
<td>1539.58</td>
<td>1293.74</td>
</tr>
<tr>
<td>Productivity Per Staff</td>
<td>290.98</td>
<td>407.54</td>
<td>374.42</td>
</tr>
</tbody>
</table>

Source: RRBs Annual Reports, RBI, NABARD. (Figures: Rs. In Lakhs.)

**FINDINGS**

The key performance indicators of RRBs in Chhattisgarh are presented in **Table 1**. All the indicators exhibit positive and significant growth. Followings are major observation and findings-

- The Chhattisgarh Gramin Bank (CGB) is largest district covered bank in Chhattisgarh then Durg Rajnandgaon Gramin Bank (DRGB). The smallest district covered bank is Sarguja Kshetriya Gramin Bank (SKGB).
- The Chhattisgarh Gramin Bank (CGB) is largest bank in Branch Network then Durg Rajnandgaon Gramin Bank (DRGB). The smallest Branch Network bank is Sarguja Kshetriya Gramin Bank (SKGB).
- The share capital of CGB is Rs. 300 Lakh and others are Rs. 100 Lakh.
- The total owned funds of CGB is Rs. 13560.80, SKGB Rs. 6442.82 and DRGB Rs. 5912.09.
- The CGB provided maximum borrowings in Chhattisgarh in comparison of others.
- The CGB accepted / received maximum deposit in Chhattisgarh.
- The CGB issued maximum loan in comparison of other RRBs.
- The recovery performance of DRGB is highest then SKGB. The CGB performed very poor in recoveries.
- The net NPA of CGB is higher than other two RRBs.
- The SKGB is top in productivity per branch then CGB. DRGB is lower in productivity per Branch.
- The SKGB is top in productivity per staff then DRGB and CGB is lower in productivity per staff.
- The CGB is largest bank of Chhattisgarh in district coverage and branch network but the productivity of CGB is low in comparison of DRGB and SKGB.
PROBLEMS OF RRBs IN CHHATTISGARH

- The RRBs in Chhattisgarh have not succeeded in mobilizing deposits because of severe competition from other banks and financial institutions.
- The RRBs in Chhattisgarh suffers from lack of coordination in branch expansion.
- It has been noticed that there is unusual delay in the sanction of loans.
- The loan recovery system / procedure of banks are very poor.
- One of the important defects - management by untrained employees.
- Slow progress in lending activity.
- Serious undermining of the Board by compulsions to look up to sponsor banks, GOI, NABARD and RBI for most decisions.
- Chairman of RRBs under the direction of Regional Managers appointed as Board of Directors by sponsor banks.
- Inadequate skills in treasury management for profit orientation.
- Inadequate exposure and skills to innovate products limiting the lending portfolios.

SUGGESTIONS

- The RRBs of Chhattisgarh should try to increase their deposits by opening branches in business areas, improve the services to clients, introduce different types of deposit schemes and offer competitive rates of interest.
- The RRBs should change their loan policies.
- The RRBs should drop a scientific method to recover over dues and must maintain up to date records on daily basis.
- The RRBs must maintain adequate liquid resources, margin, properly scrutiny of loans and should try to qualitative improvement to the staff.
- Accountability and transparency need to be brought in the implementation of the schemes.
- 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.
- 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 State Government should also take keen interest in the growth of Banks.
- The RRBs must strengthen effective credit administration.
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 labourers, artisans and small entrepreneurs, and for matters connected therewith and incidental thereto”. Regional Rural Banks in Chhattisgarh are an integral part of the rural credit structure of the state. As we analyze the data it shows that RRBs in Chhattisgarh are working for the 360 degree development of rural area of state. In short we can say that it providing rural Chhattisgarh all round assistance and proved to be an institution where "Growth with Social Justice" exists.

REFERENCES

Articles, Books and Research Papers


Reports
