

PERFORMANCE OF REGIONAL RURAL BANK IN HARYANA

Lavneet

ABSTRACT

Regional Rural Banks (RRBs) which appeared on the banking map of the country in 1975 have become one of the main planks of the organized rural credit structure. Without the development of the rural economy the objectives of economic planning cannot be achieved. As Gandhi ji said "real India lies in villages," and village economy is the back of Indian economy. Regional Rural Banks in India is to provide credit to the rural people who are not economically strong enough especially the small and marginal farmers, agricultural laborers. The objective of this paper is to investigate performance of the RRBs in the state of Haryana during the period from 2005-06 to 2009-10. The study suggests that the policies adopted by RRBs in wake of financial sectors reforms contributed immensely to improve their performance on almost all chosen indicators but also strengthened their role in rural development of state.

Keywords: RRBs, Economic Development

Introduction: -

The Narasimham Committee on rural credit recommended the establishment of Regional Rural Banks (RRBs) on the ground that commercial Banks or Co-operative Banks in meeting the needs of rural areas. Accepting the recommendations of the Narasimham Regional Rural Banks Act 1976. Activities of modern economy are significantly influenced by the functions and services of banks. Indian Economy is agricultural

economy and real India lies in villages. More than 70% of Indian depend on agriculture; 60% of industries are agro based; 50% of national income to contributed by rural sector and agricultural sector to the largest foreign exchange earner to India. RRBs enjoy many perks from **reserve Bank of India** such as lower interest rates and refinancing facilities from NABARD like lower cash ratio, lower statutory liquidity ratio. RRBs are jointly owned by government of India, the concerned

state government and sponsor Banks; he issued capital of RRB is shared by the owners in the proportion of 50%, 15% and 35% respectively. In wake of the 'New Economy Policy' of liberalization and globalization of Indian economy in early 1990s, sweeping reforms were undertaken in financial sector in the country. The main objective of this study to examine the impact of amalgamation on the performance of RRBs.

Review of Literature:

Regional Rural Bank ordinance was promulgated by the President of India on 26th sept. 1975, which was later made into the Regional Rural Bank Act in Feb 1976. RRBs enjoy many perks from Reserve Bank of India and refinancing facilities from NABARD. From August 1996 the RRBs are free from Reserve Bank of India to charge rates of interest usually in the range of 14-18 per cent for advance. In Haryana before 21 December 2005 all the four RRBs in Haryana was sponsored

by Scheduled commercial banks.

Sr. No.	RRBs in Haryana	Sponsored Banks
1	Haryana Kshetriya Gramin Banks (HKGB)	PNB
2	Gurgaon Gramin Bank (GGB)	Syndicate Bank
3	Hisar-Sirsa Gramin Bank (HSGB)	PNB
4	Ambala Kurukshetra Gramin Bank (AKGB)	PNB

Available studies in the context are reviewed in brief as follows:

Report of the RRB(1978) review committee pointed out that RRBs had some implicit limitations and weaknesses leading to their poor performance and accumulated losses Kumar Raj (1993) out a study on the topic "Growth and performance of RRBs in Haryana." on the basis of the study of RRBs of Haryana. It is found that there was an enormous increase in deposits and outstanding advances. The researcher felt the need to increase the share capital and to ensure efficient use of distribution channels of finance to beneficiaries.

Kishor and Singh (2009) carried out a study on the credit delivery and performance of Haryana Gramin Bank in Financing Agriculture. On the basis of information from two districts in Haryana, namely Hisar and Ambala, they found that the deposits and loan advances of Haryana Gramin Bank is continuously increasing over the period in the study area. The Banks has highest deposits and loan advanced showed increasing trend as a result of enhanced income of farmer borrowers, use of credit for income generating enterprises, better assessment of borrowers at time of credit advancement. **Data and Methodology:**

Data on these indicators was collected from various annual publication of reserve bank of India and Annual reports of the Regional Rural Banks. For all monetary

of RRBs has been reduced from 96 as on 31st March 2005 to 133 as on 31st August 2006 and further to 196 as on 30th April 2007. Now there are 82 RRBs.

Performance of RRBs

indicators used in the study the data have been concerted at constant prices on the base year of 1990-91. compound annual growth Rates (CAGR) have been estimated using the following semi logarithmic trend line to assess the performance of RRBs

$$Y = a\beta^t$$

$$\text{or } \log y = \log a + t \log \beta$$

Simple ordinary least squares method was used to estimate parameters was used to estimate parameters a and β in the equation. Consequently, compound growth rate was estimate as

$$\text{CAGR} = (\text{Antilog}(\log \beta) - 1) \times 100$$

Results and Discussions:

With the establishment of First RRB there were as many as 196 RRBs as on 31st March 2005. As a result of amalgamation process, the number

-4-

Net Profit:

Net profit normally refers to the profit after deduction of all operating expenses, not ably after deduction of fined casts or fixed overheads. The contrasts

Years	Total Business	Net Profit	Business per Branch
2005-06	355047	2778	2302
2006-07	439366	3692	2865
2007-08	544788	4623	3454
2008-09	674893	5901	3975
2009-10	1204582	6912	6404
Mean	641735	4781	3800
SD	337740	1660	1585
CAGR	34.04*	25.76*	26.79*

Note* Indicates 1 per cent level of significance.

Total Business:

The total business of the bank estimated as the sum of aggregate deposits and aggregate advances. The total business of the RRBs in Haryana at constant prices expanded from Rs. 153348 crores to Rs. 1204582 Crores in 2009-10. Mean value of total business is increased.

Conclusion:

Forgoing analysis of performance of RRBs in Haryana on account of

with the term gross profit which normally refers to the difference between sales and direct cost of product or service sold and certainly before deduction of operating costs or overhead. Net profit is the difference between the earnings and expenses of bank.

Mean value of net profit was increased and CAGR also increased. Thus performance on this account after merging period saw a remarkable improvement.

Business per Branch of RRBs

For any business concern to grow all its constituents should become viable in terms of business transacted by item and the RRBs are no exception to this requirement. RRBs Haryana have shown a tremendous growth in their business.

References:

1. *RBI (Various years), Report on trend and progress banking in*

parameter like total business, net profit, business per branch. The study suggests that the policies adopted by RRBs in wake of financial sectors reforms contributed immensely to strengthen their contribution in rural development and financial inclusion of the down trodden segments of rural population. Generation of Non farm alleviation of poverty and self employment of rural population are some of important tasks being assigned to these institutions. With stronger financial indicators these institutions not only assisting to meet the planning target of poverty alleviation and diversification to non-form activities but are also playing more important role in overall economic development of Haryana.

2. *Kumar Raj "growth and performance" of RRBs in Haryana New Delhi.*
3. *Kishore Nand and Singh (2009) "Credit Delivery and performance of Haryana Grameen Banks in Financial Agriculture."
"http://ebooksbrowse.com/gdo c.php"*
4. *<http://www.hgb.co.in>*
5. *Patel K.V. and Shete, N.B. (1980), "RRB performance and prospectus," rajanan, pp.1-40*