

AN OVERVIEW OF RRB's IN INDIA**Dr.A.Padmavathi***UGC Post-Doctoral Fellow, Dept. of Commerce, S.V. University, Tirupati.***Prof.B.Bhagavan Reddy***Dean, Faculty of Commerce and Management, S.V. University, Tirupati.***1. INTRODUCTION**

An attempt is made in this article to review the growth and performance of regional rural banks (RRBs) before and after restructuring. The focus is on the number of RRBs, branches, deposits, own and working funds, credit-deposit ratio (CDR), productivity and non-performing assets (NPAs). The period of study spans over the recent decade.

2. BRANCH NETWORK

Since inception in 1975, RRBs have rapidly grown in size, structure and strength. From a modest beginning with 5 banks covering 11 districts of 5 states with 17 branches, as many as 64

Table: 1 Progress of RRBs in India during 2004-2013

Year	Number of		
	RRBs	Branches	Districts covered
2004	196	14,446	518
2005	196	14,484	523
2006	133	14,494	525
2007	96	14,520	534
2008	91	14,761	534
2009	86	15,181	616
2010	82	15,480	618
2011	82	16,001	620
2012	82	16,914	635
2013	64	17,856	635

Source: *Relevant issues of Statistics on RRB's, NABARD, Mumbai.*

RRBs are operating over 635 districts of 26 states with a branch network of 17,856 as on 31st March, 2013 (see Table 1). The number of RRBs has declined from 196 in 2004 to 64 in 2013 due to restructuring. The branch network has increased to 17,856 during 2013 from 14,446 during 2004, recording an increase of 1.23 times. The number of districts covered also increased to 635 from 518 during the same period, registering an increase of 1.23 times.

3. OWNED FUNDS

Share capital forms an integral part of owned funds. It is the base for the volume of business and guiding principle to borrow funds. The share capital is the cost free fund, which acts as a cushion in its operations and helps in achieving viability. It amounts to a small fraction of total deposits and borrowings of a bank. The share capital of the RRBs was Rs. 195.93 crores during 2005 as against Rs. 197 crores during 2013 (see Table 2). There is no increase in share capital between 2008 and 2013. It has gone up to Rs.197 crores in 2008 and remained as such till 2013. Its share in the total owned was 3.18 per cent in 2005 as compared to 1.02 per cent in 2013. In the meantime, there are fluctuations. Its proportion has decreased due to increase in the other elements of owned fund. The share capital deposit was Rs. 2,166.82 crores in 2005 as against Rs 5,976.84 crores in 2013. In percentage terms, the former and latter have formed 35.05 and 30.96 sequentially. Its proportion has decreased due to increase in the proportion of reserves and surplus.

The creation of reserves and surplus depends on the adequacy of net profits earned. A strong reserve base reflects the financial stability of the bank and reposes confidence among the public. Reserves facilitate the bank write off bad debts and to meet unforeseen contingencies. The reserves and surplus has gradually gone up from Rs. 3,818.52 crores in 2005 to Rs. 13,130.01 crores in 2013. In relative terms, it has progressively increased from 61.77 per cent to 68.02 per cent in the aforesaid period. The owned funds were Rs. 6,181.27 crores in 2005. It has progressively increased to reach the highest at Rs. 19,303.85 crores as on 31st March, 2013, registering a growth of 3.12 times. The increase in owned funds was mainly on account of accretion to reserves by the profit making RRBs. Share capital is almost static in the period.

Table 2: Owned Funds of RRBs in India during during 2005-2013

(Rs. crores)

Year	Share capital	Share capital deposit	Reserves and surplus	Owned funds
2005	195.93 (3.18)	2,166.82 (35.05)	3,818.52 (61.77)	6,181.27 (100)
2006	196.00 (2.96)	2,180.03 (32.79)	4,270.56 (64.25)	6,646.59 (100)
2007	196.00 (2.69)	2,188.43 (30.04)	4,901.54 (67.27)	7,285.97 (100)
2008	197.00 (2.25)	2,832.53 (32.44)	5,703.06 (65.31)	8,732.59 (100)
2009	197.00 (1.81)	3,959.30 (36.29)	6,753.99 (61.90)	10,910.29 (100)
2010	197.00 (1.61)	3,984.91 (32.54)	8,065.26 (65.85)	12,247.17 (100)
2011	197.00 (1.42)	4,076.34 (29.46)	9,565.58 (69.12)	13,838.92 (100)
2012	197.00 (1.19)	5,002.01 (30.39)	11,262.99 (68.42)	16,462.00 (100)
2013	197.00 (1.02)	5,976.84 (30.96)	13,130.01 (68.02)	19,303.85 (100)

Note : Figures in brackets indicate the percentage to total.

Source : As in Table 1

share capital deposit has fluctuated as against an increase in reserves and surplus. RRBs recorded a spectacular progress in the matter of own resources on the principle of survival of the fittest.

4. DEPOSITS AND ADVANCES

The RRBs have mobilised Rs.2, 11,458 crores as deposits in 2013 as compared to Rs.56, 350 crores in 2004 (see Table 3). There is a gradual growth during the decade. Similarly, there is a remarkable progress in the decadal growth of advances outstanding. The outstanding advances were Rs. 26,114 crores in 2004 vis - à - vis, Rs. 1, 39,837 crores in 2013. There is a progressive increase in it. The credit – deposit ratio (CDR) was 46.34 per cent in 2004 as compared to 66.13.

Table 3: Deposits, Advances & Credit – Deposit Ratio of RRBs in India during 2004-2013 (Rs. crores)

Year	Deposits	Loans & advances o/s	Credit – deposit ratio (%)
2004	56,350	26,114	46.34
2005	62,143	32,870	52.89
2006	71,329	39,713	55.68
2007	83,144	48,493	58.32
2008	99,094	58,984	59.52
2009	1,20,190	67,802	56.41
2010	1,45,035	82,819	57.10
2011	1,66,232	98,917	59.51
2012	1,86,336	1,16,385	62.46
2013	2,11,458	1,39,837	66.13

Source: As in Table 1

per cent in 2013. In the meantime, the fluctuations are significant. It indicates that there is a syphoning of deposits mobilised from the operational area to elsewhere in the country. In other words, the deposits mobilised by the RRBs were transferred to other financial institutions. With the growth in the number of banks and considerable expansion in branch network, there has been a steady increase in the deposits and outstanding advances. But CDR was unwelcome because rural savings were siphoned off to other areas.

5. WORKING FUNDS

The funds mobilised were Rs. 11,705.59 crores in 2005. These have steadily increased to reach Rs. 87,080.56 crores during 2013 except a decrease in 2008 and 2011. In the working funds, owned funds have accounted for 52.81 per cent during 2005 as compared to 22.17 per cent during 2013. The remaining are borrowed funds. The borrowed funds were in the range of 47.19-77.83 per cent the period under study. The share owned funds has declined as against an

Table 4: Working Funds of RRB during 2005 – 2013

(Rs.crores)

Year (1)	Owned funds (2)	Borrowings (3)	Working funds (4)	% of col. (2) to col. (4) (5)
2005	6,181.27	5,524.32	11,705.59	52.81
2006	6,646.59	7,302.59	13,949.18	47.65
2007	7,285.97	9,775.80	25,654.77	28.40
2008	8,732.59	11,494.00	20,226.59	43.17
2009	10,910.29	12,734.65	23,644.94	46.14
2010	12,247.17	18,770.06	43,871.53	27.92
2011	13,838.92	26,490.80	40,329.72	34.31
2012	16,462.00	30,288.84	46,750.84	35.21
2013	19,303.85	38,267.73	87,080.56	22.17

Source: As in Table 1

increase in the proportion of borrowed funds. The dependence on external financial sources is not advisable in the long run. In future, the bank has to put concerted efforts to increase the contribution of owned funds.

6. STATE-WISE PRODUCTIVITY

The state- wise productivity of RRBs, on an average, per year, per branch and per staff during 2013 is furnished in the Table 5. The productivity per branch is the highest in Uttar Pradesh (Rs.18, 032 lakhs) and the lowest in

Manipur (Rs.649.17 lakhs).The productivity per employee is also the maximum in the former (Rs.4,008.47 lakhs) and the least in the latter at Rs. 191.33 lakhs. There are variations in the remaining states in both the aspects.

Table 5: State – wise productivity of RRBs in India during March 2013

(Rs. lakhs)

State/ union territory	Productivity per	
	Branch	Staff
Uttar Pradesh	18,032.00	4,008.47
Karnataka	8,870.51	2,082.53
Andhra Pradesh	7,779.37	1,933.83
Punjab	6,806.25	1,865.01
West Bengal	5,840.47	1,113.66
Kerala	5,807.05	1,034.99
Haryana	5,636.64	1,233.58
Gujarat	5,439.21	1,454.01
Madhya Pradesh	5,229.48	1,317.60
Rajasthan	5,163.34	1,237.66
Chhattisgarh	4,759.89	1,306.54
Tamilnadu	4,632.91	1,400.07
Bihar	4,483.29	1,052.54
Telangana	4,264.50	1,133.10
Odisha	3,710.03	818.19
Assam	3,621.95	811.49
Maharashtra	3,360.27	900.79
Tripura	3,277.93	659.55
Jharkhand	2,430.57	570.17
Mizoram	2,358.53	567.65
Jammu & Kashmir	2,343.70	605.58
Meghalaya	1,808.04	433.47
Himachal Pradesh	1,625.96	476.88
Puducherry	1,503.05	593.31
Arunachal Pradesh	1,494.39	429.24
Uttarakhand	1,489.71	423.84
Nagaland	810.35	202.59
Manipur	649.17	191.33

Source: As in Table 1

7. PROFIT/LOSS

The total number of RRBs which have earned profit was 163 in 2004 as against 63 in 2013 (see Table 6). The rest are loss making RRBs. In the post - merger period, these have declined from 8 in 2008 to one in 2013.The number of profit earned RRBs have increased as

Table 6: No. of Profit / Loss making RRBs in India during 2004 – 2013

Year	Profit	Loss	Total
2004	163	33	196
2005	166	30	196

2006	111	22	133
2007	81	15	96
2008	83	8	91
2009	80	6	86
2010	79	3	82
2011	75	7	82
2012	79	3	82
2013	63	1	64

Source: As in Table 1

against loss incurred RRBs. Further, profit has increased during the study period. The overall trend is welcome for the wellbeing of RRBs.

8. NON - PERFORMING ASSETS

The amount of NPA has raised from Rs.3, 298.66 crores in 2004 to Rs. 7,906.94crores in 2013 with volatile changes (see Table 7). The share of NPAs in the advances outstanding has progressively decreased from 12.63 per cent in 2004 to 3.72 per cent in 2010 and increased in the subsequent period to reach at 5.65 per cent in 2013. NPA have increased in absolute terms while declined as a percentage to outstanding advances.

Table 7: Non - performing assets of RRBs in India during 2004 – 2013

(Rs. crores)

Year (1)	Loans & advances o/s (2)	NPA (Rs.) (3)	% of col (3) to col (2) (4)
2004	26,114	3,298.66	12.63
2005	32,870	2,804.34	8.53
2006	39,713	2,890.46	7.28
2007	48,493	3,178.03	6.55
2008	58,984	3,566.34	6.05
2009	67,802	2,809.71	4.14
2010	82,819	3,084.81	3.72
2011	98,917	3,712.00	3.75
2012	1,16,385	4,994.16	4.14
2013	1,39,837	7,906.94	5.65

Source: As in Table 1

It can be observed from the Table 8 that, among the states and union territories, the net NPAs are the highest in U.P. (Rs. 39,228.57 lakhs) followed Karnataka (Rs. 30,475.46 lakhs), Andhra Pradesh (Rs. 24,335.59 lakhs), etc., during 2013. It may be noted that there is no NPA in Nagaland. It is the least in Arunachal Pradesh. The percentage of NPAs to advances outstanding was the maximum at 4.90 per cent in Tripura followed Meghalaya (4.79) and Chhattisgarh (4.12). It was between 2 per cent and 3 per cent in 5 states; 1-2 per cent in 12 states and less than 1 per cent in the rest of the states.

Table 8: State – wise NPAs of RRBs in India as on March 2013

(Rs. lakhs)

State/ union territory (1)	Loans o/s and advances (2)	Net NPA (3)	% of col. (3) to col. (2) (4)
Tripura	1,33,822.88	6,559.00	4.90
Meghalaya	37,885.27	1,814.93	4.79
Chhattisgarh	2,05,512.62	8,457.29	4.12
Haryana	5,61,391.34	19,100.52	3.40
Jharkhand	1,36,211.13	3,662.16	2.69
Telangana	9,36,493.82	22,390.09	2.39
Andhra Pradesh	10,90,372.20	24,335.59	2.23
Jammu & Kashmir	1,20,654.00	2,453.00	2.03
Karnataka	15,32,187.24	30,475.46	1.99
Mizoram	53,030.23	1,051.00	1.98
Bihar	8,15,504.60	15,992.56	1.96
Assam	4,40,818.23	8,235.73	1.87
Manipur	4,567.96	84.31	1.85
Puducherry	23,777.74	414.42	1.74
Tamilnadu	5,22,229.84	8,949	1.71
Uttar Pradesh	23,08,363.73	39,228.57	1.70
Gujarat	3,28,083.50	5,486.16	1.67
Punjab	4,19,882.94	6,378.51	1.52
Himachal Pradesh	89,812.04	1,135.00	1.26
Uttarakhand	1,30,283.90	1,531.45	1.18
West Bengal	5,98,967.00	4,960.00	0.83
Madhya Pradesh	6,91,801.59	5,229.48	0.76
Maharashtra	4,34,308.74	3,360.27	0.50
Rajasthan	9,38,224.45	4,584.64	0.49
Arunachal Pradesh	6,105.29	27.80	0.46
Odisha	6,65,413.01	3,035.60	0.46
Kerala	7,56,123.00	2,579.14	0.34
Nagaland	1,872.09	-----	-----

Source: As in Table 1

CONCLUSION

Share capital is almost static in the period. The share capital deposit has fluctuated as against an increase in reserves and surplus. RRBs recorded a spectacular progress in the matter of own and resources on the principle of survival of the fittest. There is a accretion of considerable expansion in branch network. There has been a steady increase in the deposits and outstanding advances. But CDR was unwelcome because rural savings were siphoned off to other areas. The borrowed funds were in the range of 47.19-77.83 per cent the period under study. In future, the bank has to put concerted efforts to increase the contribution of owned funds. The dependence on external sources is not advisable in the long run. The productivity per branch and per employee is the highest in U.P. The number of profit earned RRBs have increased as against loss incurred RRBs. Further, profit has increased during the study period. The overall trend is welcome for the wellbeings of RRBs. NPA have increased in absolute terms while declined as percentage to outstanding. The amount of NPA is the highest in U.P. But in relative terms to outstandings, Tripura ranked first.

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