

# Growth and Performance of Grameen Banks in India

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## Abstract

The expansion of Regional Rural Banks throughout India's States, which includes branch expansion in various districts. The RRB's efforts in branch expansion, deposit mobilisation, rural development, and credit deployment in the weaker sections of rural areas are laudable. When it comes to bringing banking to the doorsteps of rural households, especially those in banking-deprived regions, RRB succeeds. RRB's main goals include bringing banking to the doorsteps of rural households; making it easier for the weaker rural sections to get access to affordable credit; encouraging the use of rural savings for productive activities; and creating jobs in rural areas. The primary goal of this research is to examine the growth and financial performance of Regional Rural Banks in India. The data used in this analysis comes from the annual reports of the Reserve Bank of India and the National Bank for Agriculture and Rural Development. Combination and other factors have had a beneficial impact on the financial performance of RRBs, according to the research.

**Keywords:** Regional Rural Banks, Deposit Mobilisation, Credit Deployment, RBI, NABARD

## 1. INTRODUCTION

Today's contemporary economy is heavily dependent on the banking sector's operations and services. Central to the economic system is the banking sector. The Indian economy is based on agriculture, and the real India is found in the rural areas of the country. The Indian economy is built on the foundation of the village economy (Kher, 2013, p.31). In a nation like India, where the majority of the population lives in rural regions, rural development has a tremendous impact on the overall socioeconomic growth. Almost all economic activity in India are influenced by the rural sector, which produces the largest job opportunities. Rural India contributes a significant portion of the country's gross domestic product. For the protection and support of the rural people, rural finance was essential. However, they exploit farmers and small business owners by charging them excessive credit rates and forcing them to sell their products at cheap prices. The monsoons' significant dependency on agriculture also poses a hazard to the rural inhabitants. Due to a shortage of funding, they are also short on water, fertiliser, seeds, and other necessities.

RRB Act, 1975 and an Ordinance of September 26, 1975, mandated that regional rural banks be created in order to offer enough institutional financing for agriculture and other rural sectors. Rural and semi-urban regions are mobilised by the RRBs, which give loans and advances mostly to small and marginal farmers, agricultural workers, and rural craftsmen. According to the Reserve Bank of India, a rural region is defined as having a population of fewer than 10,000 people. There are three owners of RRBs: the government of India, the state government, and the sponsor banks. The RRB's issued capital is split 50/50 between the owners. The first five RRBs were sponsored by five separate commercial banks in Haryana, West Bengal, Rajasthan, and Uttar Pradesh, with one in each state and two in the latter. They are commercial banks, but they use cooperative principles, such as allocating resources equitably among members of the community, and focusing their efforts on providing financial services to the rural poor. As a result, they are a hybrid institution. Both the Reserve Bank of India (RBI) and the National Agricultural Bank (NABARD) are in charge of RRBs (RBI). Rural banking in India began as soon as the banking industry was established in India. Agriculture was the primary emphasis of rural banks back then. In India, regional rural banks spread across the nation and lent a helpful hand to the country's development. Regional Rural Banks (RRBs) are SBI's 30 branches in India. From Kashmir to Karnataka and Himachal Pradesh to the North East, SBI's rural banks may be found in all 13 states of the country. In India, there are 2349 SBI Regional Rural Banks (16 percent ). For India's 144,525 village-based banks, 91 percent of them are situated in the most distant rural regions.

## 2. LITERATURE REVIEW

**Sulagna Das (2021)** The "Branch Network" of PBGB and BGVB has been shown to differ significantly. The "Number of Staffs" of PBGB and BGVB is significantly different. The "three type of funds" of PBGB and BGVB have been shown to differ significantly. In terms of "Investments," PBGB and BGVB are significantly different. Deposits" of PBGB and BGVB show a substantial disparity. The "Outstanding Loan" amount of PBGB and BGVB has been discovered to be significantly different. The "Loan Issued" amount of PBGB and BGVB has been shown to differ significantly. The Productivity "Per Branch" and "Per Employee" of PBGB and BGVB are not significantly different.

**Dr.GirijaNandini(2021)** In rural India, the vast majority of the people lives (65.97 percent in 2018, according to World Bank Development Indicators). Rural residents have limited access to banking services. In other words, the government and the Reserve Bank of India are working together to bring the poor and disenfranchised into the fold of the country's banking system. This study focuses solely on the role of rural banking, including its development, expansion, and results. The current study spans the period from 2008-09 to 2017-18. To better understand RRB expansion, deposits, advances, and profitability over the course of the study period, this article examines different Regional Rural Banks (RRBs). For a variety of various reasons, the study found that the demand in rural areas for loans has risen over the past few years.

**Dr. Ratan Deb (2020)** the purpose of this article is to examine how the banking industry, specifically the Regional Rural Bank (RRB), contributes to rural development in the state of Tripura. As of December 31, 2019, there are 18 public sector banks (PSBs), 13 private sector banks, and 3 cooperative banks in this state. Banks in this state had CD ratios of 56% and a credit plus investment deposit ratio of 79%. It began on October 2, 1975, when an Ordinance approved on September 26, 1975, and the Regional Rural Banks Act of 1976 were signed into law in an effort to improve the rural economy by offering banking services in rural areas that were previously unbanked.

**Pattanayak, Alok (2018)** in rural India, the vast majority of the people lives (65.97 percent in 2018, according to World Bank Development Indicators). Rural residents have limited access to banking services. In other words, the government and the Reserve Bank of India are working together to bring the poor and disenfranchised into the fold of the country's banking system. This study focuses solely on the role of rural banking, including its development, expansion, and results. The current study spans the period from 2008-09 to 2017-18. To better understand RRB expansion, deposits, advances, and profitability over the course of the study period, this article examines different Regional Rural Banks (RRBs). For a variety of various reasons, the study found that the demand in rural areas for loans has risen over the past few years.

**Agarwal,Padmavathi and Reddy, B. Bhagavan (2019)** RRBs play a critical role in the development of agricultural and rural areas. The RRBSs have spread throughout rural India thanks to their extensive network. Rural credit relies heavily on its financial strength to succeed. Rural development banks (RRBs) play a critical role in rural finance, providing credit to a wide range of businesses. The growth and performance of RRBs from 2007 to 2018 are examined in this article. RRBs, branches, own and working funds; deposits; credit operations; the credit-deposit ratio (CDR); productivity; and non-performing assets are the main considerations (NPAs).

## 3. METHODOLOGY

### Sources of Data

This study relies on data that was gathered from other sources. Research papers, articles, books, RBI reports, and NABARD annual reports were used to gather the data. Tables, graphs, charts, ratios, and regression analysis are used to examine RRBs' financial performance and growth.

### Scope and Period of the Study

- Rural banks in India are studied as a basis for this research. It is for this reason that the study covers all Indian Regional Rural Banks.
- In total, the study spans a decade, from 2008-09 to 2017-18.

## 4. ANALYSIS

### Analysis of Growth & Expansion of Regional Rural Banks in India

RRBs and branch expansion have a significant impact on the organization's growth and performance. The bank's primary channel for providing banking services to rural customers is to have as many rural bank branches as possible in various rural regions. Consequently, banks are required to expand their branch network to ensure that all rural consumers can benefit from bank services. According to Table-1, regional rural banks in India have grown and expanded their customer base.

Branches of Regional Rural Banks in various districts of Indian States and Union Territories are shown in Table 1.

**Table –1 Branch Expansion of RRBs in India during 2008-18**

Sl. No.	Year	No. of RRBs in India	No. of Districts In India Served by RRBs	No. of Branches of RRBs in India	Growth Rate in No. of Branches (%)
1	2008-09	86	617	15181	-
2	2009-10	82	618	15480	1.97
3	2010-11	82	620	16001	3.37
4	2011-12	82	638	16909	5.67
5	2012-13	64	635	17861	5.63
6	2013-14	57	642	19082	6.84
7	2014-15	56	642	20024	4.94
8	2015-16	56	648	20920	4.47
9	2016-17	56	680	21422	2.40
10	2017-18	56	648	21747	1.52

A look at the table above shows that the number of RRBs declined from 86 to 56 between 2008-09 and 2015-16. As of March 31, 2018, there were 56 regional rural banks (RRBs) in India.

Table 1 also shows that RRB branch expansion has increased during the study period 2008-18, despite a decrease in RRBs. In 2017-18, there were 21747 RRB branches across India, a rise of 1.43 times and a growth rate of 43.25 percent.

### Amalgamation of RRBs

NABARD assisted the Indian government in developing a road map for Phase III of the RRB merger, which began in 2018–19 and aims to reduce the country's RRB count to 40. (the count was at 53 as on March 31 2019).

In 2005–06, RRBs were first amalgamated in Phase I. The number of RRBs in the United States had fallen to 82 by 2010. Phase II of the merger began in 2011–12, and by 2014–15, the number of RRBs had been reduced to 56. Amalgamation began in 2018–19 in smaller states, with a reduction in the number of RRBs in larger states, aiming for a total of 40 RRBs in India by the end of Phase III. There were 53 running RRBs as of March 31st, 2019. It will be further reduced to 45 in 2019–20 as a result of additional merging (Wikipedia, Internet Source).

The number of RRBs of the same sponsor banks within a state was reduced from 86 to 56 as of March 2018, as a result of the amalgamation. 13 RRBs have been merged into six new RRBs in five states during the 2013-2014 fiscal year (Karnataka, Uttar Pradesh, Chhattisgarh, Kerala then Haryana). The actual number of RRBs as of

March 31, 2018, was 56 in performance of an important role in the development of agricultural and rural economy.

### Analysis of Deposits and Advances of Regional Rural Banks

Table-2 shows the deposit and advance performance of India's Regional Rural Banks.

**Table 2 Deposit and Advances of RRBs in India (Rs in Crore)**

Sl. No.	Year	Total Deposits of RRBs	Y-o-Y Growth in Deposits (%)	Total Advances of RRBs	Y-o-Y Growth in Advances (%)
1	2008-09	120190	--	67802	--
2	2009-10	145035	20.67	82819	22.15
3	2010-11	166232	14.62	98917	19.44
4	2011-12	187351	12.70	120551	21.87
5	2012-13	211488	12.88	137078	13.71
6	2013-14	239504	13.25	159660	16.47
7	2014-15	273018	13.99	180955	13.34
8	2015-16	313499	14.83	206538	14.14
9	2016-17	371910	18.63	226175	9.51
10	2017-18	400459	7.68	253978	12.29

Source: Annual Reports of NABARD

Deposits grew from Rs.120190crore in 2008-09 to Rs.400459crore in 2017-18, a 3.33-fold increase over the previous year. Advances in 2017-18 have risen from Rs.67802 crore in 2008-09 to Rs.253978 crore. More than three and a half times more than in 2008 09.

### Analysis of Credit-Deposit (C/D) Ratio

Credit-Deposit Ratio is a critical metric for assessing the functioning of RRBs (C.D Ratio). It is the percentage of deposits that a bank lends out to its customers that is called the Credit-Deposit Ratio (CDR).

**Table 3: Credit-Deposit (C/D) Ratio**

Sl. No.	Year	C.D Ratio (%)
1	2008-09	56.41
2	2009-10	57.10
3	2010-11	59.51
4	2011-12	64.34
5	2012-13	64.82
6	2013-14	66.66
7	2014-15	66.28
8	2015-16	65.88
9	2016-17	60.81
10	2017-18	63.42

Table 3 shows that the C/D ratio can change over the course of the research. In 2008-09, RRBs had a Credit-Deposit ratio of 56.41 percent. After 2014-15, the C/D ratio shows an upward trend, but then declines in 2015-16 and 2016-17. However, the C/D Ratio of RRBs in 2017-18 has increased to 63.42 percent. Deposits from rural clients are lending more than 55% of the time for various development activities like as farming or small enterprise, as well as other self-employment.

#### Analysis of Profitability Position of RRBs in India

**Table-4: Profitability Position of RRBs (Amount Rsin Crore)**

Year	Total No. of RRBs	No. of Profit Making RRBs	Total Amount of Profit	No. of Loss Making RRBs	Total Amount of Loss	Net Profit
2008-09	86	80	1823.55	6	35.91	1787.64
2009-10	82	79	2514.83	3	5.65	2509.18
2010-11	82	75	2420.75	7	71.32	2349.43
2011-12	82	79	1886.15	3	28.87	1857.28
2012-13	64	63	2275	1	2.00	2273
2013-14	57	57	2833	0	0	2833
2014-15	56	51	2921	5	176	2745
2015-16	56	51	2206	5	188	2018
2016-17	56	49	2604	7	386	2218
2017-18	56	45	2506	11	1005	1501

Source: The annual Reports of NABARD from 2008-2017

Table 4 shows that RRBs made Rs.2509.18crore in profit in 2009-10, a 40 percent increase over the previous year (2008-09). RRBs' net profit has been fluctuating from 2008 to 2018. In 2017-18, net profit declined from Rs.1787.64crore in 2008-09 to Rs.1501crore in 2017-18. Over the course of the research period, more than 90% of RRBs showed a profit, as seen in the table above. The table shows that the number of RRBs has decreased over the research period due to an increase in RRB profit following the merger in 2013-14, however profit has decreased over the course of the financial year 2015-16 as shown. There were a few RRBs that lost money almost every year, but in 2013-14 all of the RRBs in India were profitable.

**Regression Analysis Using net profit as a dependent variable and branch count, total deposits, and total advances as independent variables, we can derive the following conclusions: Predictors**

**Table 5: Regression Results for Net Profit of RRBs as dependent variable with the Number of Branches of RRBs, Total Deposits of RRBs and Total Advances of RRBs as independent variables Predictors**

Model Summary			
Multiple R	R Square	Adjusted R Square	Standard Error
0.8581	0.7363	0.5781	274.8487
Goodness of Fit – ANOVA			
SS	MS	F	Significance F
1054549.7734	351516.5911	4.6533	0.0655
Regression Coefficients			

Particulars	Coefficients	t Stat	P-value
Intercept	-8809.1446	-2.3099	0.0689
Number of Branches of RRBs in India	0.9332	3.0602	0.0281
Total Deposits of RRBs in India	0.0084	0.7863	0.4673
Total Advances of RRBs in India	-0.0531	-2.1098	0.0886

RRBs' net profit as a dependent variable is replicated in Table 5 together with the total deposits, total advances, and number of RRB branches as independent factors. Table 3 shows that the F-statistics value of 4.6533 (P 0.010) indicates that the independent variables are statistically significant at the 10% level of significance. Total deposits and the number of branches of RRBs have both been found to have positive coefficients in the regression model, while total advances have also been found to have positive coefficients. Number of RRB branches and total advances (Sig. 0.10) are statistically significant associations among RRBs' net profit, while deposits (Sig. 0.10) are statistically insignificant associations among RRBs' net profit, according to the regression model.

## 5. CONCLUSION

To summarise, the fast expansion of the RRB in India has significantly reduced regional differences in terms of banking facilities. We appreciate RRB's efforts in rural development and branch expansion as well as credit deployment in the underserved rural areas. When it comes to bringing banking to the doorsteps of rural households, especially those in banking-deprived regions, RRB succeeds. RRB's main goals include bringing banking to the doorsteps of rural households; making it easier for the weaker rural sections to get access to affordable credit; encouraging the use of rural savings for productive activities; and creating jobs in rural areas. It is thus the strongest banking network provided by RRB. Efforts should be made by the government to help rural banks become profitable by focusing on providing high-quality, secure, and fast financial services.

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