Working, Growth- Pattern and Progress of Regional Rural Banks

Vijay Kumar Gupta[1], Dr. Abhilash Kumar, Shrivastava[2]

[1]Research Scholar, Department of Commerce, Bundelkhand University, Jhansi, U.P, India.
[2]Research Supervisor, Department of Commerce, Bundelkhand University, Jhansi, U.P, India.

Abstract

There is no doubt that the regional rural banks (RRBs) of India have been an integral part of the rural credit system since their inception. However, the RRBs' financial viability has been a source of worry since the 1980s, only five years after they were established. There have been a number of committees looking into their financial viability and the possibility of restructuring. analyze the workings, growth patterns, and progress of regional rural banking institutions: Agriculture and rural development in India rely heavily on the work of India's regional rural banks. Because of their extensive network, the RRBS has a greater presence in rural India. Rural credit's success in India is heavily reliant on the country's financial stability. Rural development banks (RRBs) play a critical role in rural finance by providing a range of agricultural credit products to rural farmers. Overdue debt, non-performing assets, and other issues are plaguing most regional rural banks currently. What we are looking for in this study are some of the several scientific techniques available to explain how a competitive organisation like a convenience store chain can function so well in the retail market. The findings of this case study show that the success of modern format stores in the retail industry may be attributed to the deployment of a strategic framework.

Keywords: *- Assam Garmin Visas Bank, Regional Rural Banks, merger & acquisitions, organizational*.

1. INTRODUCTION

There have been Regional Rural Banks in the Indian financial landscape for around three decades. As a unique experiment and experience in enhancing rural credit delivery in India, the establishment of regional rural banks (RRBs) might be seen. An attempt at integrating commercial banking within the overall policy thrust toward social banking was made with joint shareholding by the central government, the concerned state government, and the sponsoring bank. To promote financial inclusion as a national goal, the Government of India and the Reserve Bank of India have been working together for many years now. For example, in the last five decades, the government has taken a number if major steps, including nationalization, the creation and expansion of a robust branch network of scheduled commercial bank branches and co-operatives, the introduction of mandated priority sector lending targets, the introduction of lead bank schemes, the formation of self-help groups, and the appointment of BCs/BFs by banks to provide doorstep banking services. They all have the same goal: to reach the vast majority of Indians who have been left out of the financial mainstream because of their lack of access to credit.

2. LITERATURE REVIEW

Bikash Paul (2017) A majority-rural state is referred to as a scam. The rural poor are the most disadvantaged group, owing to widespread ignorance and illiteracy. They are often unable to take advantage of the same services as their metropolitan counterparts. Financial services that are necessary to maintain a reasonable level of living and employment are included. For many Indians, financial isolation is a fact of life. Financial inclusion programmers are under way to help the rural poor get their money in the bank. Financial inclusion, therefore, is the sole viable option and mechanism for promoting rural banking practices. Regional Rural Banks are designed to increase access to financial services in rural areas. A renowned rural bank in Assam, the Assam Garmin Vikash Bank, is aiming to bring the state's underserved citizens back into the mainstream economy. People in rural areas tend to be less well-versed in personal finance and have fewer options when it comes to obtaining financial services. People who are both socially and financially marginalized must be drawn into the official financial system if society is to progress. Aim of this research is therefore the identification of Assam Gramin Vikash Bank's involvement and the function of various bank efforts in increasing financial inclusion in Assam. Secondary sources of information have been gathered for the current investigation. The bank's annual reports and other periodicals are used in the research.

Sulagna Das (2016) the purpose of this study is to evaluate the Grameen Banks of West Bengal's post-merger performance. Objectives include assessing Paschim Banga Gramin Bank's (PBGB) and Bangiya Gramin Vikash Bank (BGVB) performance, comparing the two banks' performance, and determining how these two banks may best serve their respective communities. If these banks were able to serve the entire rural population, the number of branches and employees they would have, as well as the total assets they would have (owned and borrowed) and the number of jobs they would have generated following the merger would all be taken into account in this research. The data in the study is analysed using statistical methods. The "Branch Network" of PBGB and BGVB appears to be significantly different. The "Number of Staffs" at PBGB and BGVB differ significantly. The "three types of funds" of PBGB and BGVB have been shown to differ significantly. The "Investments" of PBGB and BGVB have been discovered to differ significantly. The "Deposits" of PBGB and BGVB show a large disparity. The "Outstanding Loan" amounts of PBGB and BGVB have been observed to differ significantly. In terms of the "Loan Issued" amount, PBGB and BGVB have a big variation. The Productivity "Per Branch" and "Per Employee" of PBGB and BGVB are not significantly different. There are two regional rural banks in West Bengal, the PBGB and BGVB, which are studied for nine years, from 2012 to 2020. Future scholars will benefit from this paper, as they will be able to learn about the Grameen Banks' performance during the study time. The content is original and has never been published anywhere.

Subudhi, Rabi & Ram, Jitendra Kumar. (2015). An investigation of regional rural banks (RRBs) in Odisha, India, is presented in this research. It examines the effects of the RRBs' merging as part of the government's reform measures. It examines whether or not 'amalgamation' has improved service quality significantly. It is now more important than ever to focus on how to increase efficiency through improved governance in a world of increasing corporatization and privatization. Accountability, openness, responsiveness, equity, and inclusion are the hallmarks of effective government. which is both effective and efficient, as well as adhering strictly to the rule of law (Sinha,2013). Good corporate governance is the subject of numerous studies in the literature. Research on the banking sector's governing status is found. What follows is a study on Indian banking, with a particular focus on Regional Rural Banks (RRBs) (RRBs).

3. METHODOLOGY

At Rs. 1 core, the RRB's authorized capital, and Rs. 2 lakhs, the RRB's issued capital. The central government will provide 50 percent of the issued capital, while the state government will contribute 15 percent, and the sponsoring bank will contribute the remaining 35 percent. A Board of Directors oversees the RRB's day-to-day operations and business operations in general. Chairman, three Central Government-nominated directors and not more than three Central Government-nominated directors are on the Board of Directors. His term of office does not exceed five years. RRBs serve a critical role in rural America's economy, serving as an alternate source of institutional credit. Remember that they were not created to replace co-operative credit societies, but rather as a complement to them as time goes on. To help those who need it most, RRB has always taken an active role in initiatives that target underserved demographics. There are a lot of rural banks in India that are focused on agriculture. It is safe to say that Indian regional rural banks have reached every part of the country, contributing to its economic development.

Table 1:- No.of branches of Scheduled Commercial Banks as on 30th June, 2012

Bank Group	Rural	Urban	Semi-Urban	Metropolitan	Total
Public Sector	22,146	1,7803	14,223	13,231	67,403
Private Sector	1,555	4,660	3,580	3,621	13,416
Foreign Banks	7	9	61	247	324
RRBs	12,258	3,094	830	148	16,330
Total	35,966	25,566	18,694	17,247	97,473

It is shown in the table above that there are 97,473 scheduled commercial bank branches in the country, with 35,966 (36.9 percent) of these in rural areas, 25,566 (26.2 percent) in urban areas, and 18,694 ((19.17 percent) of these in semi-urban areas. 63 percent of the country's total number of branches are located in rural and urban areas. As a result of RBI recommendations, banks in rural and urban areas are working together to make sure that every household has access to at least one bank account.

4. IMPROVEMENT IN THE WORKING OF RRB

1. RRB's role as a lender of last resort for the rural poor must be safeguarded. Rural Reserve Banks (RRBs) should operate as financial institutions serving the needs of the rural poor.
2. Up to 25% of their total advances could be made available to the wealthier members of the community by the RRB.
3. The RRB's equity share capital should be open to local residents, who should be encouraged to participate..
4. As much as feasible, local employees can be hired.
5. Commercial banks may support or co-sponsor the creation of the RRB with cooperative societies.
6. There needs to be a standard interest rate structure for rural financial institutions.
7. It is necessary for the RRB to improve its credit management by increasing the efficiency with which loans are assessed, tracked, and repaid.
8. The RRB's lending policy should be based on the group financing of rural operations.
9. Lending procedures at the RRB should be loosened to make borrowing easier for village residents.

5. EVOLUTION AND PROGRESS OF REGIONAL RURAL BANK

There was less emphasis in the early 18th century on rewarding and developing the rural population of India because of the country's reliance on farming and agriculture. The situation, on the other hand, evolved over time. The history of rural banks, an essential pillar in India's backward areas' rural development, is critical to an understanding of how India's rural development has progressed steadily over the years. Prior to the establishment of established banks, informal banking practices such as loan sharking and usury were all too common. It's worth noting that the Arthashastra, Gautama, Brihaspati, and Budhayana of Kautilya contain many provisions on banking. 3 In the modern period, the government of India has taken a number of steps to enhance rural areas, one of which is financing and crediting the backward and rural areas of the country.

Sl. No.	Banking before Independent India		Banking after Independent India
1.	Zamindari system existed; no rights and privileges to peasants.	1.	Nationalisation of Reserve Bank of India on 1 January 1949 under RBI Act, 1948.
2.	Bank of Hindustan established in 177O and ceased in 1832.	2.	In 1954-1966, failure of banks leading to amalgamations of banks.
3.	Rise of Swadeshi movement in 19th century established agricultural credit societies and urban co operatives.	3.	On 1 July 1955 nationalisation of Imperial Bank into State Bank of India.
4.	World war I resulting in majority of liquidation of banks whereas co operatives survived.	4.	Social control over banks in December 1967 through the Banking Laws (Amendment) Act 1968.
5.	Post world war I- Presidency banks of Madras, Bombay and Calcutta turned to Imperial Bank of India in 1921.	5.	In 1969 nationalisation of 14 commercial banks and six commercial banks in 1980.
6.	Establishment of Central Bank on 1st April 1935 under the RBI Act, 1934.	6.	Establishment of Regional Rural Banks Act on February 9, 1976.

6. RESULT

A. Theory of resources and capabilities

As a collection of physical, human, and intangible resources, the company's success is determined in part by how well those resources are managed. The company's overall goal is to earn profits by combining its own stock with resources obtained from other countries. The capacity of management, market instability, and risk limit the company's growth under this approach. To the extent that a company's combined resources allow it to create income and respond to market changes, it is considered successful .There are endless combinations of specializations and diversifications that can be generated through resource management. Due to the constant competition amongst the firms, they are constantly striving to improve their organizational capabilities in order to maintain the steady growth of their businesses. The abilities of middle and high management, as well as lower management and the workforce, are included in these competencies In order to maintain a competitive advantage, a corporation must be able to safeguard a number of rare resources, which it does by preventing competitors from replicating or substituting them. This represents the opportunity cost of holding these resources.

B. Agency theory

When it comes to risk, everyone has a preference, and this strategy takes into account the fact that some people relish the unknown, while others shudder at the thought of it. In order for owners and agents to work together, they need to understand each other's roles and responsibilities. The issue emerges when the interests of the owner and the agent vary, and the attitudes of the two parties toward risk diverge as a result. There are a number of ways to explain the relationship between an owner and an agent, but in this case, the contract serves as a means of solving difficulties and cutting costs. For the agency theory to be successful, it must devise a system of incentives that will keep agents' personal interests aligned with those of the principal, so reducing conflict and thus reducing agency costs. Despite the Director's dedication to efficiency and a lack of opportunism, it is unrealistic to assume that he always acts in good faith. Somehow, he believes that he will be rewarded with either fame or fortune. Agency theory can be divided into two main categories:

Industry based approach

Strategy formulation is modeled by the conventional paradigm of industrial organization. A company's approach to competing in its environment is defined by the goals it sets for itself, and this is how strategy is established ‘.ccording to the model, a good strategy must include the interrelationships between a fourth essential elements: the company, industry, key value implementations for the company, and societal expectations. To put it another way, the company's success is dependent on the correct mix of internal capabilities and external values. Is implying that, in order to determine the company's market performance, the company's behaviour is influenced by the features of the industry environment where they compete According to the theory of industrial organization, a firm's performance in terms of profitability and cost minimization is influenced by the structure of the industry in which it competes, as well as the setting in which competition is formed. As a result, it will be possible to forecast performance in the market under these circumstances. Thus, stresses the significance of developing an industrial organization viewpoint and methodology for formulating strategy centered on measuring the company's efficiency in a competitive setting. In order to build a competitive edge, the company makes the essential decisions to distribute its resources in the most efficient manner possible. The highest level of the organization formulates corporate strategy, and a multi-business firm's action plan reaches its full multi-business model When a corporation in one country sees industry and expansion potential in other industries and countries, it creates a new company in another country. If a corporation wants to expand its commercial operations, it must make a choice between integrating with other companies or diversifying its product line, according to Multidivisional structure, an effective control system, and a corporate culture are all necessary for a company to accomplish its strategy. In order to guarantee that the organization utilizes its resources and capabilities in the most efficient manner possible, limit expenses, and achieves its growth target, this is critical.

1). Strategic alliances In order to access resources and capabilities that are scarce or impossible to attain on one's own, companies build strategic alliances in order to share, exchange, and develop knowledge and information. Because of this, they are able to receive mutual benefits that allow them to maintain their competitive advantages.

Typically, strategic alliances are formed between two or more organizations in order to minimize costs, risks, and uncertainty while increasing competition. An important characteristic of a real alliance is that the enterprises engaged retain their own government structure and decision-making autonomy, but this autonomy is constrained by their obligations to the alliance partners. Contracts and agreements, in which only a limited amount of control and authority are granted, are the most common means of forming partnerships It is possible to reduce the effects of barriers to entry into new markets and vertical alliances bottom-up and top-down by forming a partnership strategy or a strategic alliance based on principles. As an illustration, consider partnerships with suppliers to guarantee quality or with other companies operating in the same market to compete with heterogeneous products. Due to the complementarily of resources, which is one of the companies' goals, a partnership or alliance within the VRIO framework should seek to create value that may be achieved at a reduced cost. As previously said, To establish a transfer of information on those capabilities that can also be imitated by the partner company, rarity is related to the qualities of the partner. In this way, it can build a kind of organization that the rest of the competition does not, allowing partner companies to gain a competitive edge.

2). Acquisitions

In order for one firm to become a part of another, it must relinquish control of its operations and management to the latter., an acquisition is performed by one company over another without losing the latter's qualities but in which the owners no longer have full control of it. To achieve a better deal, the winning bidder often has to pay more than the target company's current share price. It is possible that the arrogant hypothesis, which forecasts a rise in the target business's market value above the average drop in the value of the bidding company, explains why obtaining control of a company through corporate acquisitions produces no return .However, this is not exactly how acquisitions work, which illustrates that the market sometimes acts inefficiently due to irrational activities of some economic agents, even though the circumstance mentioned previously may occur.. Another factor driving a company to acquire another firm may be a desire to streamline corporate control structures, as it is easier for an organization to integrate a newly acquired firm into its existing structure without incurring as many unnecessary transaction costs.

3). Vertical integration

Vertical integration strategies are those that allow a company to make decisions regarding its value chain, focusing particularly on the role that suppliers play in its ultimate goal. In this regard, the company's options include purchasing suppliers and distributors, enhancing the buyer-supplier relationship, and negotiating better prices. The purchase of suppliers or distributors by a firm is referred to as "vertical integration." This means that in order to gain access to new products and cost savings, the company can purchase an established manufacturer, or a crucial product that enables it to produce its own brand items. When a company has a plan of perpetual growth, this is a common practice. Centralized physical distribution centers can also serve to increase the company's bargaining position with suppliers, improve operational efficiency, and supply the end of the chain with better customer service. Vertical integration can also be achieved by a shift in the relationship between the buyer and the supplier, where the buyer has the potential to exert control on the supplier in terms of pricing, product, and even product innovation. The firm's size determines its negotiating strength; therefore if it is large enough and the supplier is vulnerable to the corporation, a shift in the business relationship may be conceivable.

7. CONCLUSION

According to the findings, the difficulties with RRBs aren't limited to a small number of sponsor banks or states where they do business. All RRBs were categorized as either profit-making or loss-making in order to have a deeper understanding. For the previous three years, RRBs that have made a profit have been categorized as profit-making, while those that have lost money have been categorized as loss-making. As a result, 150 RRBs were classified as profitable, while the other 46 were classified as loss-making. It is important that RRBs do not limit their activities to the agricultural sector but also help small businesses in rural areas, cottage industries, and farmers. Co-operative banks, commercial banks, and local players should all work together to ensure that they are able to take full advantage of the untapped rural market. As a result of a lack of openness in rural bank operations, the banker and consumer have an uneven relationship. Modern-format retail stores' success is determined by their ability to apply a strategic framework, according to the research hypothesis. The success of convenience stores following an examination of the several techniques adopted by the company in question can be deduced as proof of well-being.

8. REFERENCES

1. Bikash Paul, Role of Assam Garmin Vikash Bank in Promoting Financial Inclusion In Assam, Vol 5 Issue 5, EPRA International Journal of Economic and Business Review(2017).
2. Subudhi, Rabi & Ram, Jitendra Kumar. (2015). Regional Rural Banks of Odisha: A study on Amalgamation Impact. GITAM Journal of Management. 13. 153-165.
3. Jeykumar S (2013): Local Area Banks-Promoting financial inclusion in rural areas, Banking Finance, December (25- 29)
4. Jose K. G and Puthur K. J (2013): Financial inclusion-new initiatives and challenges, Banking Finance, July (30-32)
5. Poojary K. A. And Muniraj Y. (2013) : Role of Banks and SHGs in financial inclusion; A bird eye-view. Southern Economist, August 15 (5-9)
6. N. Sabitha Devi, Problems and prospects of Regional Rural Banks in India, Vol 2 Issue 3, IJMSR (2016).
7. RAJESH NARAIN GUPTA, TANNAN'S BANKER'S MANUAL, 12 (25th ed., Lexis Nexis, 2016). 6 Supra note 5, at 12.
8. Namarata Acharya, Second phase of Regional Rural Banks consolidation begin, BS, Oct 1, 2012.