A Comparative Study of Regional Rural Banks in Maharashtra State
Suneet Sureshchandra Kopra
Research Scholar
Singhania University, Pacheri Bari, Jhunjhunu, Rajasthan State, India

Abstract— Regional rural Banks plays a vital role in the agriculture and rural development of Maharashtra. The RRBs have more reached to the rural area of Maharashtra, through their huge network. The success of rural credit in Maharashtra is 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 Maharashtra, two RRBs are functioning. Therefore, it is necessary to comparative study of financial performance of RRBs in Maharashtra. This paper attempts to analyze the comparison of financial performance of RRBs in Maharashtra as on 31st March 2013. 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, loans, investments, recovery and productivity is followed in the present study. The study concludes that Maharashtra Gramin Bank (MGB) is the largest bank of Maharashtra in district coverage and branch network but the productivity of Vidarbha Konkan Gramin Bank VKGB is low in comparison of Maharashtra Gramin Bank MGB.

Key words: Maharashtra Regional Rural Banks, Key Performance Indicators, Vidarbha Konkan Gramin Bank (VKGB), Maharashtra Gramin Bank (MGB)

I. INTRODUCTION
Maharashtra 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 Maharashtra 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 57 and in Maharashtra itself 6 banks were reduced to 2 banks. At present in Maharashtra three RRBs functioning – Maharashtra Gramin Bank (MGB) and Vidarbha Konkan Gramin Bank (VKGB).

II. 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. Amarendra (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.

III. OBJECTIVES OF STUDY
- To comparative study of RRBs in Maharashtra.
- To analyze the key performance indicators of RRBs in Maharashtra.
- To measure financial performance of RRBs in Maharashtra.
- To offer suggestions helpful in improving functions on the basis of conclusion.

IV. HYPOTHESIS OF STUDY
RRBs in Maharashtra 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 Maharashtra have been formulated as below:
- The RRBs in Maharashtra have made a substantial quantitative progress
- The qualitative progress of RRBs in Maharashtra has been found to be highly impressive.
- The macro performance is highly substantial

V. PROBLEMS OF STUDY
- First and important problem of the research work is analysis of financial data
- Information from the RRBs in Maharashtra 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

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

VII. SCOPE AND LIMITATIONS OF STUDY
- The study is consider only financial analysis factor other factors ignored
- The study covers a specific period of 2013.
- Findings may not always be relevant to other district in the state / country

VIII. AREA OF STUDY
The study is based on the performance of RRBs in Maharashtra. Therefore, study covers state of Maharashtra to the fulfillment of objectives of the study

IX. PERIOD OF STUDY
For collection of the secondary data on financial performance of the RRBs in Maharashtra year 2013 was taken as the reference period.

X. RESEARCH METHODS
The comparative analysis of RRBs in Maharashtra 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.

XI. 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 Maharashtra. Other related information collected from journals and websites.

A. Regional Rural Banks in Maharashtra
The Regional Rural Banks in Maharashtra 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 Maharashtra.

B. Brief about Maharashtra Gramin Bank (MGB) and its branch network

The area of operation of the Bank comprises of sixteen districts of Maharashtra State namely Nanded, Parbhani, Hingoli, Beed, Latur, Osmanabad, Pune, Aurangabad, Jalna, Thane, Ahmednagar, Jalgaon, Dhule, Nashik, Nandurbar and Raigad.

The Bank is having 6 Regional Offices located at Nanded, Parbhani, Latur, Beed, Jalna and Thane. The Bank is having a three tier organizational structure comprising of Branches, Regional Offices and Head Office with a network of 391 Branches and one extension counter.

The product and Services offered by the Bank include demand deposits, time deposits, working capital finance, term lending, retail loans, industrial / corporate loans, remittances and other fee based products like safe deposit lockers.

The broad function of the Bank are acceptance of deposits from public as per the norms prescribed by the RBI, Government of India for lending and investment and rendering of services to customers such as collection of cheques, issue of Demand Drafts, Mail Transfer, Lockers, ATMs, etc. i.e. all banking facilities. Maharashtra Gramin Bank is established with a view to developing the rural economy by providing; for the purpose of development of Agriculture, Trade, Commerce, Industry and other productive activity in rural area, credit and other facilities particularly to Small Farmers/ Medium Farmers/ Allied Activity/ Rural Artisans and Small Entrepreneurs for the matter connected these with and incidental there to.
C. Brief about Vidharbha Konkan Gramin Bank (VKGB) and its branch network


The objectives of the Bank are to improve the economy of the rural, semi-urban/urban centers by providing financial and other support for agriculture, trade, commerce, industry and other productive activities through extension of timely and adequate credit and other facilities and create employment opportunities in the villages and small towns; inculcating the habit of savings amongst the rural poor through banking channels and complete the goal of Financial Inclusion as envisaged by Government of India and Reserve Bank of India.

The authorised capital of the Bank is Rs.1000 Lakhs and the paid up capital is Rs.700 Lakhs. Governments of India, Government of Maharashtra and Bank of India have contributed 50%, 15% and 35% shares respectively in the share capital of the Bank.


The Bank is serving its clientele through 318 branches, 1 satellite and 84 Ultra Small Branches spread across the area of operation. All these branches are functioning on Core Banking Solution platform.

The Board of Directors comprises of nine directors. Besides Chairman from Sponsored Bank, there is one nominee director each from RBI and NABARD, two nominee directors each from Sponsor Bank, Government of Maharashtra and Central Government.

XII. COMPARISON OF REGIONAL RURAL BANKS – KEY PERFORMANCE INDICATORS

<table>
<thead>
<tr>
<th>Items / Indicators</th>
<th>MGB</th>
<th>VKGB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sponsored Bank</td>
<td>Bank of Maharashtra</td>
<td>Bank of India</td>
</tr>
<tr>
<td>District Covered</td>
<td>16</td>
<td>17</td>
</tr>
<tr>
<td>Total Branches</td>
<td>351</td>
<td>294</td>
</tr>
<tr>
<td>Rural Branches</td>
<td>246</td>
<td>206</td>
</tr>
<tr>
<td>Semi Urban Branches</td>
<td>35</td>
<td>30</td>
</tr>
<tr>
<td>Urban Branches</td>
<td>70</td>
<td>58</td>
</tr>
<tr>
<td>Share Capital</td>
<td>300</td>
<td>700</td>
</tr>
<tr>
<td>Share Capital Deposit</td>
<td>20,634</td>
<td>11,491</td>
</tr>
<tr>
<td>Reserves</td>
<td>2,323</td>
<td>3,268</td>
</tr>
<tr>
<td>Total Owned Funds</td>
<td>23,257</td>
<td>15,459</td>
</tr>
<tr>
<td>Borrowings</td>
<td>65,656</td>
<td>33,862</td>
</tr>
<tr>
<td>Deposits</td>
<td>380,676</td>
<td>275,709</td>
</tr>
<tr>
<td>Investments</td>
<td>164,715</td>
<td>107,060</td>
</tr>
<tr>
<td>Loans</td>
<td>252,199</td>
<td>182,110</td>
</tr>
<tr>
<td>Loan issued as on FY 2013</td>
<td>136,598</td>
<td>93,576</td>
</tr>
<tr>
<td>Recover Percent</td>
<td>70</td>
<td>81</td>
</tr>
<tr>
<td>Net Profit After Tax</td>
<td>2,773</td>
<td>1,930</td>
</tr>
<tr>
<td>Loss Amount</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net NPA Percent</td>
<td>1.53</td>
<td>2.66</td>
</tr>
</tbody>
</table>

Table 1: Presents the Key Performance Indicators of RRBs in Maharashtra as on FY 2013.

XIII. FINDINGS

The key performance indicators of RRBs in Maharashtra are presented in Table 1.

All the indicators exhibit positive and significant growth. Followings are major observation and findings.

- The Vidharbha Konkan Gramin Bank (VKGB) is largest district covered bank in Maharashtra then Maharashtra Gramin Bank (MGB).
- The Maharashtra Gramin Bank (MGB) is largest bank in Branch Network then Vidharbha Konkan Gramin Bank (VKGB).
- The share capital of Vidharbha Konkan Gramin Bank (VKGB) is Rs. 700 Lakh and others are Rs. 300 Lakh.
- The total owned funds of Maharashtra Gramin Bank (MGB) is Rs. 23257 lakhs and Vidharbha Konkan Gramin Bank (VKGB) is Rs 15459 lakhs
- The Maharashtra Gramin Bank (MGB) provided maximum borrowings in Maharashtra.
- The Maharashtra Gramin Bank (MGB) accepted received maximum deposit in Maharashtra.
- The Maharashtra Gramin Bank (MGB) issued maximum loan in comparison of other RRB.
- The recovery performance of Vidharbha Konkan Gramin Bank (VKGB) is highest when compared with Maharashtra Gramin Bank (MGB).
- The net NPA of Vidharbha Konkan Gramin Bank (VKGB) is higher than Maharashtra Gramin Bank (MGB).
- The SKGB is top in productivity per branch then CGB. DRGB is lower in productivity per Branch.
- The Maharashtra Gramin Bank (MGB) is top in productivity per staff then Vidharbha Konkan Gramin Bank (VKGB).

XIV. PROBLEMS OF RRBS IN MAHARASHTRA

- The RRBs in Maharashtra have not succeeded in mobilizing deposits because of severe competition from other banks and financial institutions.
- Inadequate skills in treasury management for profit orientation.
- Inadequate exposure and skills to innovate products limiting the lending portfolios.
- The loan recovery system / procedure of banks are very poor due climatic conditions on year on year, personal problems of the farmers or debtors, political interferences etc.
- One of the important defects - management by untrained employees.
- RBI regulations tightening in opening of new branches in rural places.

XV. SUGGESTIONS

- Opening of more ATMs and e-Lobby in rural areas.
- Use of rural credit cards with more credit value to be issued.
- The RRBs should change their loan policies
- Accountability and transparency need to be brought in the implementation of the schemes.
- The RRBs must maintain adequate liquid resources, margin, properly scrutiny of loans and should try to qualitative improvement to the staff.
- 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 RRBs must strengthen effective credit administration.

XVI. 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 Maharashtra are an integral part of the rural credit structure of the state. As we analyze the data it shows that RRBs in Maharashtra are working for the 360 degree development of rural area of state. In short we can say that it providing rural Maharashtra all round assistance and proved to be an institution where "Growth with Social Justice" exists.

REFERENCES
Articles, Books and Research Papers

Reports
[8] Maharashtra Gramin Bank (MGB) - Annual reports
[9] Vidharbha Konkan Gramin Bank (VKGB) – Annual reports