ISSN Print: 2394-7500
ISSN Online: 2394-5869
Impact Factor: 3.4
IJAR 2014; 1(1): 297-300
www.allresearchjournal.com
Received: 28-10-2014
Accepted: 30-11-2014

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A review of the current position of RRB in Bihar

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Abstract
Regional Rural Banks are working in different states of India and play significant role in growth of country through rural financial inclusion and agriculture sector development. At present, there are only 02 RRBs operating in Bihar city and Government looks to upgrade the services for agriculture. This research paper aims to investigate the recital of regional rural banks of Bihar. The recital indicators such as no. of RRBs, their branch networks, share capital, deposits, borrowings, investments etc. are taken into consideration from financial year 2012 to 2014 for this study.

Keywords: RRBs, NPA, borrowings, deposits, share capital, profit after tax

Introduction
At the time of Independence, the institutional structure for rural finance changed into non-existent. In Nineteen Sixties the Indian authorities turned into busy in experimenting with Mahalanobis model for boom. In Seventies, the authorities realised that the boom of agriculture is essential and it cannot be executed without an institutional structure for offering credit score for agriculture and other rural sectors. So that you can offer a completely unique rural credit shipping mechanism, on Narasimham Committee advice, the authorities hooked up local Rural Banks through promulgation of RRB Act, 1976. They had been envisaged as a automobile of rural finance which could combine the local experience and familiarity of rural problems recognized to cooperatives with the economic acumen of industrial banks. The ownership sample became designed to make sure smooth get right of entry to to sources for RRBs. The issued capital of RRBs is shared with the aid of the authorities of India (50%), the concerned kingdom government (15%) and the Sponsor bank (35%). the primary goal of RRBs is to provide credit and different facilities mainly to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs and broaden agriculture, exchange, trade, enterprise and other productive sports in rural regions. The place of operation of RRBs i.e. number of district(s) covered is restricted to the vicinity as notified by using the authorities of India.

Review of literature
To study related to specific Bihar city researcher wanted to get an idea about all the RRBs functioning throughout the country. In India studies on RRBs have been restricted to examining their performance on various financial and non-financial facets. Soni and Kapre (2013); Shashikumar, Rangaswamy and Kiran (2013) [17]; Ahmed, Bhandari and Ahmed (2012); have studied and stately the contribution of RRBs in the turf of rural development in terms of upsurge in number of banks and branches, growth in deposits, increase in amount of loans paid, increase in investments and such like variables. However, these studies have been confined to RRBs located in a specific State or Region. These studies have initiate that contribution of RRBs to all these indicators is immense. The efficiency of RRBs has also been studied by some research scholars. The efficiency for a bank implies enhanced productivity. It may take the form of improved profitability, larger amount of funds channelled in (by depositors, Government and/or Sponsor bank), better interest rates for borrowers and depositors, improved quality of services for consumers and greater volume to captivate risk and hence, greater safety of deposits. (Berger, Hunter and Timme, 1993).

Amarender Reddy (2006) examined total factor productivity technical and scale efficiency changes in regional rural banks by using data from 192 banks for the period 1996 to 2002. According to his study rural banks showed significant economies of scale in terms of assets and number of branches under each bank. Banks located in economically developed as well as low banking density regions exhibited significantly higher productivity growth.

Ishwara (2011) [7] studied the financial analysis in the pre and post transformation period. And he founded that RRBs had better performing NPAs after the amalgamation. After the amalgamation the RRBs had a larger CASA turnover compared to commercial bank. and even after the amalgamation period the RRBs were broad basing their credit pattern and are even financing vehicles for the rural transport system. This in return helped them to sell their product. After the introduction of Wage Bill, there was no termination of employees, no voluntary retirement schemes, which built team spirit among staff members.

Pal and Sura (2006) [13] studied the RRBs had rapidly grown in structure and numbers as compared to their inception. As a result, the number of district covered by RRBs had also increased. It had been shown that the RRBs had made a tremendous progress in deposit mobilization and fulfilling the credit requirement of rural people. The RRBs were well distributed among many of the states but the major states like Delhi, Sikkim, Goa etc. are still not getting the services.

Dileep and Rao (2013) [15] studied the reasons bank had high Non performing loans (NPL) in rural areas and it was because rural households had irregular income and expenditure patterns. The banks had high cost to serve because rural people, whenever they had access to banks, had frequent low ticket and cash-based transactions, which increased the overall transaction cost for their bank. It was found that many of the villagers did not have bank account which made it difficult for the RRBs to identify the customer's behavior and grasp the opportunities.

Keeton (2002) in his studies found out that the community banks moulded a very low share in the total banking movement but they still were an integral part of the society. The reason community bank shaped a very low share in the total banking activity was because they had a smaller amount of access than larger banks to non-deposit sources of funds such as federal funds, repurchase agreements, and subordinated debt. And community banks were very much responsible in the rural communities accounting for majority of banking activities and deposits.

National Payments Corporation of India (NPCI) (2011) accompanied a study in which after the discussion between NPCI and NABARD it was decided to include Regional Rural Banks in Aadhaar Enabled Payment System (AEPS) to fortify the financial inclusion network in rural areas. The complaint regarding any AEPS transaction was to be reported to the respected RRB and was to be solved by following the normal procedures. The records were to be maintained properly and to facilitate online transactions.

Soni and Kapre (2011) studied that the majority of RRBs had earned a profit which is marginally less than that of the previous year. There were some RRBs who had continued to suffer accumulated loss. Compared to the previous years there had been a better performing of NPA. The C-D ratio also had a significant increase.

Ibrahim (2012) [6] studied that the RRBs had shifted its focus to non-priority sector and priority sector with an aim to restore sectorial balance within credit disbursement and to channel credit to the weaker sections of the society. The study also showed that the percentage of loan provided to non-agriculture sector had increased significantly and the agricultural loans outstanding were more consistent than that of non-agricultural loans outstanding.

Matthew and Esther (2012) [10] studied the local and foreign banks in Ghana and found out that on both return on assets and return on equity, local banks in Ghana were doing better than foreign banks. Local banks had a lower capital adequacy ratio than that of foreign banks. Local banks had less quality assets than foreign banks do in Ghana earnings power in terms of net interest margin and were lesser liquid than the foreign banks.

Mills and Amowine (2011) studied the profitability condition of RRBs in Ghana. The study suggested that the exposure of the financial institutions to high risk loans increased the accumulation of unpaid loans increased and profitability decreased. As a result, coefficient of LLPTL (loans loss provisions divided by total loans) became negative. It showed that an increase in non-interest income caused an increase in the overall profitability. The relationship between the NIETA (non-interest income divided by total assets) variable and profitability levels was negative but still the efficient and productive banks minimized their overall cost.

Shashikumar *et al*. (2013) [17] studied that the number of banks in India and especially in Karnataka had increased at a large scale compared to the pre liberalization era. It also showed that a significant increase in the amount of deposits of RRBs had increased and helped in the overall development.

Dhananjaya (2005) studied the growing importance of RRBs in the financial sector in his paper. Especially now the RRBs have changed their focus to the non-priority sector and are also lending credit to the non-core sector. And in the rural areas RRBs help the rural villagers to fulfill their credit and financial needs.

Kapre (2012) [18] studied the condition of RRBs (mainly Durg Rajnandgaon Gramin Bank) in the agricultural state like Chhattisgarh where most of the people had no such ideas about the finance. His studies showed that the deposits had increased in rural areas of Chhattisgarh, people were aware of the basic facilities and even the business of the bank was increasing as CASA deposits increased significantly.

Malhotra (2002) studied the effect of the umbilical cord on the rural banks. The geographical location of the RRBs did not had an effect on the performance of the bank. The major reason for the enhanced performance of the RRBs was the support which they received from their sponsor banks.

Brownbridge (1998) [3] studied that in Africa; the study exhibited that the banks approved the projects associated to its managers and directors which increased the cases of fraudulent. As well as the most of the loans was approved to the politicians which was unrecoverable? And one of the major reasons for downfall of these banks was lending money at a high rate to the high risk borrowers whose credit worthiness was rejected by foreign banks. Due to the wobbly macroeconomic condition i.e. inflation the approval of loan was difficult because the profitability condition was unstable and risky. Moreover, as a result of political connections, even the most unstable banks were given backing from the Central bank rather than shutting them down. The Central bank didn't have the support of the Government to impose strong banking rules.

Objectives of the study

1. To carry out the inclusive analysis of key recital indicators in RRBs in Bihar.
2. To evaluate the evolved growth of RRBs in Bihar since 2012.
3. To execute an inclusive review of RRBs reforms.

Research Design and Methodology

The research paper study is based on secondary data sources published by NABARD and RBI on regional rural banks. The data has been comprised for individual banks at Bihar state level to study the progress and financial stability of regional rural banks.

Uttar Bihar Gramin Bank: It is a Regional Rural Bank (RRB) in the State of Bihar, India. It is one of the major regional rural banks in India in terms of branch network, staff asset and area of operation. The bank was created from the amalgamation of Uttar Bihar Kshetriya Gramin Bank and Kosi Kshetriya Gramin Bank (transferor regional rural banks) by Government of India in 1976 as per Gazette Notification issued by the Indian Ministry of Finance under Sub-Section (1) of Section 23 A of the Regional Rural Bank Act, 1976 (21 of 1976). It is sponsored by Central Bank of India in the state of Bihar as a single regional rural bank. The bank is headquartered in Muzaffarpur. The Uttar Gramin Regional Bank purposes through a network of 1001 branches in 18 districts in the State of Bihar. The bank was awarded for the best recital in banking association of self-help groups (SHGs) in the Regional Rural category, at the state credit seminar planned by National Bank for Agriculture and Rural Development (NABARD).

Table 1: Recital indicators of Uttar Bihar Gramin Bank

Particulars	2012-13	2013-14
Share capital	4545436671	4545436671
Reserves	627187019	794973258
Deposits	144291409812	154998478388
Borrowings	22716317876	15365738421
Investments	47162511486	54149468174
Advances	70230076542	75873966192
Profit After Tax	1910959962	306423527

Table 1 shows the recital of Uttar Bihar Gramin Bank of 2012-13 and 2013-14. The above table clearly shows that, Share Capital in both the years are same. Reserves, Deposits and Advances have increased in 2013-14. On the other side, Borrowings and Investment has decreased in 2013-14 in comparison of 2012-13. Profit shows an increase in 2013-14.

Suggestions

Continues effort and approach towards positive aspects to make RRBs more effective made by Government of India and NABARD have been helping the RRBs to improve their recital in transmuting the banking environment. These efforts would continue to further progress of the performance of RRBs. These banks should be kept isolated from profit seeking corporate provocation that would decrease their magnitude to deliver much needed financial services to the rural areas. Preferably, the optimum use of the resources erected by RRBs deposits would be through extensive cross-subsidisation. RRBs should be motivated to thrive more trailblazing method of providing credit to match the dynamic requirements of agriculture and rural areas. Ideally there should be more coordination among rural banks, district planning authorities and panchayati raj institutions. This in turn will empower them to boost agri-rural sector ground level credit flow and other services with a view to accomplish the goals of Government of India in financial insertion, Crop insurance, rural financial inclusion etc.

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