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Dr. Sunil Kumar
Senior Lecturer, SNSRKS College, Saharsa, Bihar, India

Corresponding Author:
Dr. Sunil Kumar
Senior Lecturer, SNSRKS College, Saharsa, Bihar, India

Role & performance of regional rural banks (RRBs) in Bihar

Dr. Sunil Kumar

Abstract
A balanced view is necessary in the context of immense contribution made by the RRBs as a group as well as separately in the zone of their activity, the vast majority of which have amazingly troublesome and unfriendly financial and world of politics. Additionally, it has expanded the truly necessary banking framework coming to rural masses and contributed impressively in regard of activation of minuscule sum from an extremely enormous number of rural family investors and giving modest quantity of credit to a serious huge number of rural families for their social and monetary freedom and help them appreciating a sensible way of life instead of driving an existence of desperate. RRBs in Bihar likewise have contributed altogether in rural regions just as ancestral zones.

Keywords: Role, performance, regional rural banks (RRBs), Bihar

Introduction

RRB as an entity has indeed established its unique place in the rural financial system in India in terms of branches, deposits and depositors, advances and borrower accounts and credit-deposit ratio. Regional Rural Banks were established under the provisions of an Ordinance passed on 26 September 1975 and the RRB Act 1976 to provide sufficient banking and credit facility for agriculture and other rural sectors. As a result, Five Regional Rural Banks were set up on 2 October 1975, Gandhi Jayanti.

These were set up on the proposals of The Narasimham board Working Group [1] during the residency of Indira Gandhi's Government so as to incorporate rural zones into financial standard since that time about 70% of the Indian Population was of Rural Orientation. The advancement cycle of RRBs began on 2 October 1975, Gandhi Jayanti with the shaping of the five RRBs. First RRB, the Prathama Bank, Head Office at Moradabad (U.P.) with approved capital of Rs. 5 crore at its beginning. Prathama bank was supported by Syndicate Bank. As on 2 October,1975 Out of the leftover four RRBs in the nation one was Set up at Malda in West Bengal under the name of Gaur Gramin Bank, (Sponsored Bank: UCO Bank) which was the principal RRB in the Eastern Region of India. Other three RRBs are Gorakhpur Kshetriya Gramin Bank, Gorakhpur, U.P. (Supported Bank: SBI), Haryana Kshetriya Gramin Bank Bhiwani, Haryana (Sponsored Bank: PNB), Jaipur-Nagaur Anchalik Gramin Bank Jaipur, Rajasthan (Sponsored Bank: UCO Bank).

The Regional Rural Banks were possessed by the Central Government, the State Government and the Sponsor Bank (Any business bank can support the regional rural banks) who held offers in the proportions as follows Central Government-half, State Government-15% and Sponsor Banks-35% [2].

Recapitalization

Resulting to survey of the budgetary status of RRBs by the Union Finance Minister in August, 2009, it was felt that an enormous number of RRBs had a low Capital to Risk weighted Assets Ratio (CRAR). A panel was thusly comprised in September, 2009 under the Chairmanship of K C Chakrabarty, Deputy Governor, RBI to break down the financials of the RRBs and to recommend measures including re-capitalisation to carry the CRAR of RRBs to at any rate 9% in an economical way by 2012. The Committee presented its report in May, 2010. The accompanying focuses were suggested by the panel:

RRBs to have CRAR of at any rate 7% starting at 31 March 2011 and at any rate 9% from 31 March 2012 onwards. Recapitalisation necessity of Rs 2,200.00 crore for 40 of the 82 RRBs. This sum is to be delivered in' two portions in 2010–11 and 2011–12. The leftover 42 RRBs won't need any capital and will have the option to keep up CRAR of in any event 9% starting at 31 March 2012 and from that point all alone. An asset of 100 crore to be set okay with preparing and limit working of the RRB staff. The Government of India as of late affirmed the recapitalization of Regional Rural Banks (RRBs) to improve their Capital to Risk Weighted Assets Ratio (CRAR) in the accompanying way:

Portion of Central Government for example Rs. 1,100 crore will be delivered according to arrangements made by the Department of Expenditure in 2010-11 and 2011–12. Notwithstanding, arrival of the Government of India offer will be dependent upon proportionate arrival of State Government and Sponsor Bank share.

A limit building store with a corpus of Rs 100 crore to be set up by Central Government with NABARD for preparing and limit working of the RRB staff in the organization of NABARD and other presumed foundations. The working of the Fund will be intermittently surveyed by the Central Government. An Action Plan will be set up by NABARD in such manner and shipped off Government for endorsement.

Extra measure of 700 crore as possibility asset to meet the prerequisite of the feeble RRBs, especially those in the North Eastern. Also, Eastern Region, the vital arrangement will be made in the Budget as and when the need emerges.

Organizational structure

The organizational structure for RRB's varies from branch to branch and depends upon the nature and size of business done by the branch. The Head Office of an RRB normally had three to nine departments. The following is the decision making hierarchy of officials in a Regional Rural Bank.

Board of directors

- Chairman & Managing Director
- General Manager
- Assistant General Manager
- Regional Manager/Chief Manager
- Senior Manager
- Manager
- Officer
- Office Assistant
- Office Attendant
- Amalgamation

Currently, RRB's are going through a process of amalgamation and consolidation. 25 RRBs have been amalgamated in January 2013 into 10 RRBs. This checks 67 RRBs till the principal seven day stretch of June 2013.All RRBs were initially considered as ease organizations having a rural ethos, nearby feel and expert helpless core interest. In any case, inside an extremely brief timeframe, most banks were making misfortunes. The first presumptions concerning the minimal effort nature of these foundations were misrepresented. This might be again amalgamated in not so distant future. With the third period of blend of RRB cutting down the quantity of such elements to 38 from 56.

Legal presence and assurance

RRB are perceived by the law and they have legitimate noteworthiness. The Regional Rural Banks Act, 1976 Act No. 21 of 1976.

"For the joining, guideline and ending up of Regional Rural Banks with the end goal of building up the rural economy by giving, with the end goal of advancement of agribusiness, exchange, business, industry and other profitable exercises in the rural territories, credit and different offices, especially to the little and negligible ranchers, farming workers, craftsmans and little business people, and for issues associated therewith and coincidental thereto".

Regional rural banks in Bihar

Among various RRBs operating as scheduled commercial banks, within the framework of multi-agency system in India, four are functioning in Bihar state namely Bihar Kshetriya Gramin Bank (BKGB), Madhya Bihar Gamin Bank (MBGB), Uttar Bihar Gramin Bank (UBGB) and Samastipur Kshetriya Gramin Bank (SKGB). Out of these four banks, BKGB, MBGB and UBGB were emerged on the basis of merger in eight RRBs operating in this region. The merger took place in February, 2007.

Rural banking structures one of the huge parts in Indian banking. Numerous business analysts and strategy creators think that the future development of banking area in India depends to a huge degree on the vigorous exhibition of the Rural Financial Institutions (RFIs).

Among the components answerable for financial turn of events and destitution mitigation in rural area, the function of the RFIs is viewed as extremely critical as a significant part of the institutional rural credit by the RFIs is utilized for rural improvement to help development of rural capital. Despite the fact that the presentation of RRBs might be measured from the accomplishment of neediness lightening projects to which they are committed to go about as an impetus, their accomplishments as business banking association can never be disregarded. It is in this setting that the post consolidation benefit execution of RRBs expected tremendous centrality in the Indian rural banking situation. The case becomes more grounded when the course of consolidation in RRBs was basically started to capture the expanding level of enormous collected misfortunes (Vyas Committee, 2001 and 2004, Sardesai board of trustees, 2005).

The current investigation tries to make a general assessment over the effect of consolidation on productivity execution of RRBs in Bihar State. A time of a long time from 2000-01 to 2011-12 is taken for the examination. Six years each from pre-consolidation period (for example 2000-01 to 2005-06) and post-consolidation period (for example 2006-07 to 2011-12) separately are chosen for the investigation.

Significance of RRB's in Bihar state

The study portrays the importance of RRB'S in Bihar state. It could be summarize that the course of consolidation taken ready for improving working execution of RRBs in Bihar state, was prevail with regards to improving benefit and feasibility position of the separate banks in this district. Union of the banks help in lessening collected misfortunes position (from 469.2 crores to. 40.9 crores). For a portion of the banks viz. UBGB consolidation measure has set up a turnaround story. Nonetheless, story behind the accomplishment of solidification of RRBs in this district are expressed beneath:

i) After consolidation, the RRBs in Bihar State are continuously advancing as business substances fit for contending with different RFIs. The customary part of taking into account the credit needs of target bunch customer base proceeds with them, yet the extension of business through NTG (non-target gathering) financing has opened up new vistas. In this manner the RRBs are redesigning the nature of administrations to meet their desire. The consolidated banks are shedding their prior picture of 'thin banking', consider giving a scope of items enveloping every single budgetary need and spotlight on 'monetary consideration' careful reformist utilization of advancements and ease elective conveyance channels.

ii) The blended RRBs were setting up a solid connections with NGOs, Government and other augmentation offices, network based associations, corporate, research establishments and socially and formatively arranged people and associations to develop individuals potential.

iii) There might be events when the rural bank in this locale would have occasions to fund in overabundance of as far as possible under administrative standards or purposeful standards by the Board of Directors. After union blended RRBs in Bihar state are presently participating in consortium account game plans on pari passu premise with public area banks.

iv) Merged RRBs were currently playing a credit–drove position of authority by giving credit over the gracefully chain including capacity, preparing, transportation, showcasing and retailing. A significant bit of leeway of the methodology is that credit dispensed to one fragment will help in recuperation of advances from another connection in the chain.

v) The connection between support banks and RRBs are presently changed into a synergistic one, valuable to the two banks. After solidification, a MOU (for example update of comprehension) are presently executed between the support bank and the GOI and between the RRBs with their separate supported banks concerning the observing of execution of RRBs under different key boundaries e.g., gradual development in business, outreach, benefit, improvement in CD proportion, decrease in NPAs and so on

vi) Mechanization and computerization of the banking administrations. The basic solidification of the RRBs through blend has purchased colossal open doors for RRBs in Bihar State to prepare. It empowered them to turn out to be monetarily solid and greater regarding business volume just as effort. The blend of misfortune making RRBs has improved the productivity of RRBs and has become the quantity of benefit making RRBs.

Conclusion

There is always a need for up-gradation of the rural banking systems in India through performance evaluation in the context of necessity of institutional rural credit to the poor rural folk. Consequently, an endeavor is made to concentrate on the pre-consolidation and post-consolidation benefit execution of the RRBs in Bihar State. Taking into account the serious concern for accelerating business, improving operational reasonability and budgetary manageability of RRBs a few alternatives were talked about; out of which consolidation of all RRBs supported by a similar bank inside a State was viewed as fitting and legitimately doable. The command of advancing banking with a rural center, notwithstanding, would be a suffering wonder just when the monetary soundness of the RRBs is sound. With worked in limitations on their tasks, it isn't unexpected to expect that the money related soundness of the RRBs itself would involve concern.

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