



# A COMPARATIVE STUDY OF REGIONAL RURAL BANKS IN GUJARAT STATE AND MAHARASHTRA STATE

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## ABSTRACT

Regional rural Banks plays an important role in the agriculture and rural development of Gujarat and Maharashtra. The RRBs have more reached by its network in rural areas of Gujarat and Maharashtra. Their level of financial stability is a key factor in the success of rural finance in Gujarat and Maharashtra. RRBs are a crucial source of finance for rural regions, and they are in charge of providing different sorts of agriculture credit in rural areas with the loans they require. The majority of regional rural banks are now dealing with issues including past due, recovery, non-performing assets, and other issues. There are two RRBs in Gujarat and Maharashtra. Therefore, it is necessary to comparative study of RRBs in Gujarat and Maharashtra. This paper attempts to analyze the comparison of non-performing asset of RRBs in Gujarat and Maharashtra as on 31st March 2022. The study is based on secondary data collected with the help of annual reports of NABARD, RBI and RRBs. In the current study, an analytical research design of Key Performance Indicators Analysis was used to measure variables such the number of districts and branches covered, deposits, loans, investments, recovery, and productivity. According to the report, Baroda Gujarat Gramin Bank (BGGB) has Gujarat's largest branch network and district coverage compared to Saurashtra Gramin Bank, and Baroda Gujarat Gramin Bank (BGGB) has a higher productivity. In Maharashtra the Maharashtra Gramin Bank (MGB) is the largest branch network and district coverage but the productivity of Vidharbha Konkan Gramin Bank VKGB is low in comparison of Maharashtra Gramin Bank (MGB).

**KEY WORDS:** Baroda Gujarat Gramin Bank (BGGB), Saurashtra Gramin Bank (SGB), Vidharbha Konkan Gramin Bank (VKGB), Maharashtra Gramin Bank (MGB), Performance Indicators Analysis.

## INTRODUCTION

Regional Rural Banks plays an important role in the agriculture and rural development of Gujarat. The main goal of RRBs was to serve as a professionally managed alternative channel for providing credit to small and marginal farmers, agricultural laborers, and socioeconomically weaker groups of people in order to develop agriculture, trade, commerce, small scale industry, and other productive activities in rural areas. RRBs are meant to mobilise resources and deploy them locally, helping to advance agriculture and the rural economy. Regional Rural Banks (RRBs) were established in 1975 under the provisions of the Ordinance promulgated on the 26th September 1975 and followed by Regional Rural Banks Act, 1976 with an objective to ensure sufficient institutional credit for agriculture and other rural sectors. The RRBs operation area is limited to the area as notified by Government of India (GoI) covering one or more districts in the State. RRBs are jointly owned by GoI in India, this divided among the Central Government, State government, and the sponsoring banks: the issued capital of a RRB is shared by the owners in the proportion of Central Government 50%, Sponsor Government 35% and State Government 15%.

In accordance with the recommendations of the Vyas Committee (2004), the GOI started the process of structural consolidation of RRBs by combining RRBs sponsored by the same bank within a state. Gujarat's RRBs have a history dating back over three decades. These organizations' primary goal has been to improve the agriculture industry. Nevertheless, as time went on, they were forced to take on the roles of sponsor, commercial, and Nationalised Banks. The amalgamated RRBs gain from a broader service area, increased credit exposure limitations for high-value transactions, and a variety of banking operations. As of March 31, 2015, there were 56 RRBs as opposed to 196 before the merging. As of the end of March 2015, there were 20,024 RRB branches, serving 644 districts across the nation. RRBs from the same sponsor banks were amalgamated in 2005 as part of the merger process. As a result, Baroda Gujarat Gramin Bank was formed by the merger of Panchmahal Vadodara Gramin Bank, Surat Bharuch Gramin Bank, and Valsad Dang Gramin Bank. In a similar manner, Dena Gujarat Gramin Bank was formed through the merger of Banaskantha Mehsana Gramin Bank, Kutch Gramin Bank, and Sabarkantha Gandhinagar Gramin Bank.

Government of India vide its gazette notification number 855, dated 22-Feb-2019 announced to amalgamate 2 RRBs namely Baroda Gujarat Gramin Bank sponsored by Bank of Baroda and Dena Gujarat Gramin Bank sponsored by Dena bank effective from 01-Apr-2019. The name of new entity remains same as "Baroda Gujarat Gramin Bank" under sponsorship of Bank of Baroda. At present in Gujarat two RRBs functioning- Saurashtra Gramin Bank and Baroda Gujarat Gramin Bank.

The RRBs in Maharashtra were subject to amalgamation that means 196 banks were reduced to 57 and in Maharashtra itself 6 banks were reduced to two banks. At present in Maharashtra two RRBs functioning – Maharashtra Gramin Bank (MGB) and Vidharbha Konkan Gramin Bank (VKGB).

## REVIEW OF LITERATURE

1. NABARD (1986) published report on “A study on RRBs viability”, which was studied by Agriculture Finance Corporation in 1986 on behalf of NABARD. The study found that the fund management approach, the gap between resource mobility and deployment, and the control over present and future expenses with advancements were the three main factors that determined the profitability of RRBs. The crucial elements that impacted their viability were the ratio of setup expenses to total costs and branch development. The report went on to say that system flaws caused RRBs to lose money, hence these flaws needed to be fixed in order to make the RRBs profitable. The study's primary recommendations included upgrading the infrastructural facilities and having commercial banks build branches in places where RRBs were already operational.
2. Abhay Kumar Kapre and Anil Kumar Soni (March 2013) they examine a study on a comparative study of regional rural banks in Chhattisgarh state. The main objective of the study is the comparison of financial performance of RRBs in Chhattisgarh as on 31st March 2011. Based on the study they conclude that Chhattisgarh Gramin Bank (CGB) is largest bank in district coverage and branch network compare to other RRBs in Chhattisgarh but the productivity of Chhattisgarh Gramin Bank (CGB) is low in comparison of Durg Rajnandgaon Gramin Bank (DRGB) and Sarguja Kshetriya Gramin Bank (SKGB).
3. Kopra S. S. (2017) examine A Comparative Study of Regional Rural Banks in Maharashtra State. they analyze the comparison of financial performance of RRBs in Maharashtra as on 31st March 2013. They used to analysis of data with the help of secondary data collection from annual reports of RBI, NABARD and RRBs and various other websites. The study concludes that Maharashtra Gramin Bank (MGB) is the largest bank in district coverage and branch network in Maharashtra and the productivity of Vidharbha Konkan Gramin Bank (VKGB) is low in comparison of Maharashtra Gramin Bank (MGB).
4. Mritunjay Kumar M. (2020) conduct a study on the performance of regional rural banks in India: a study. The main objective of this paper is to analyze the present level of financial performance of RRBs in India as on 31st march 2017 in compared to 31st march 2016. The study concludes that the RRBs play a very important role in the development of rural areas.
5. Gagan S. Jaggi (August 2022) conduct a study on A Study on Growth and Performance or regional rural banks (RRBs) in India. The main objective of the study is the growth of Regional rural Bank in India over a time period 2012-13 to 2019-20. For analysis of this study is exploratory in nature and is based on secondary data collected from annual reports of NABARD and RBI. They used Various financial ratios and some statistical techniques are used i.e., mean, standard deviation, coefficient of variance. They conclude that the financial position of the bank has shown satisfactory results during the study period.

## OBJECTIVES OF STUDY

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

## HYPOTHESIS OF STUDY

RRBs in Gujarat and 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 Gujarat and Maharashtra have been formulated as below:

- The RRBs in Gujarat and Maharashtra have made a substantial quantitative progress.
- He qualitative progress of RRBs in Gujarat and Maharashtra has been found to be highly impressive.
- The macro performance is highly substantial.

## SIGNIFICANCE OF STUDY

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

## SCOPE AND LIMITATIONS OF STUDY

The study is considered only financial analysis factor another factor are ignored. The study covers a specific period of 2021-22. Findings may not always be relevant to other district in the state / country.

## AREA OF STUDY

The study is based on the performance of RRBs in Gujarat and Maharashtra. Therefore, study covers state of Gujarat and Maharashtra to the fulfillment of objectives of the study.

## PERIOD OF STUDY

For collection of the secondary data on financial performance of the RRBs in Gujarat and Maharashtra year was selected 2021-22 for reference period.

## TOOLS AND TECHNIQUES USED FOR DATA ANALYSIS

The comparative analysis of RRBs in Gujarat and 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.

## TYPE OF DATA AND METHOD OF COLLECTION OF DATA

The study is based on 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 annual report of Baroda Gujarat Gramin Bank (BGGB), Saurashtra Gramin Bank (SGB), Vidharbha Konkan Gramin Bank (VKGB), and Maharashtra Gramin Bank (MGB). Other related information collected from journals and websites.

## DATA ANALYSIS AND INTERPRETATION

### COMPARISON OF REGIONAL RURAL BANKS – KEY PERFORMANCE INDICATORS

<b>Presents the Key Performance Indicators of RRBs in Gujarat as on FY 2021-22</b>				
<b>Items / Indicators</b>	<b>SGB</b>	<b>BGGB</b>	<b>MGB</b>	<b>VKGB</b>
<b>Sponsored Bank</b>	Saurashtra Gramin Bank	Baroda Gujarat Gramin Bank	Bank of Maharashtra	Bank of India
<b>District Covered</b>	11	22	17	17
<b>Total Branches</b>	257	487	415	320
<b>Rural Branches</b>	162	330	251	193
<b>Semi Urban Branches</b>	33	106	127	90
<b>Urban Branches</b>	54	27	27	36
<b>Metropolitan</b>	8	24	10	1
<b>Share Capital</b>	245343	782807	3126278	7713406
<b>Share Capital Deposit</b>	77494941	107570567	146777507	55102956
<b>Reserves</b>	6231316	3911855	3314190	767829
<b>Total Owned Funds</b>	89610293	121654850	6440468	8481236
<b>Borrowings</b>	3386896	7190559	16466654	8797034
<b>Investments</b>	17404773	49080576	48332990	15085093
<b>Loan issued as on FY 2021-22</b>	44798046	39974569	40945921	18328063
<b>Recover Percent</b>	95.94%	81.70%	52.41%	52.77%
<b>Net Profit After Tax</b>	1850424	292174	51210	319041
<b>Net NPA Percent</b>	2.19%	1.01%	4.80%	6.24%
<b>Productivity Per Branch</b>	519343	341095	547150	272585
<b>Productivity Per Staff</b>	141389	86743	130874	70916
<b>Source:</b> Annual Reports of SGB, BGGB, MGB AND VKGB. (Figures: Rs. In Thousand.)				

**Table 1:** Presents the Key Performance Indicators of RRBs in Gujarat and Maharashtra as on FY 2021-22.



## FINDINGS

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

All the indicators exhibit positive and significant growth.

Followings are major observation and findings.

- The Baroda Gujarat Gramin Bank (BGGB) is largest district covered bank in Gujarat then Saurashtra Gramin Bank (SGB) and in Maharashtra Vidharbha Konkan Gramin Bank (VKGB) and Maharashtra Gramin Bank (MGB) are same district covered.
- The Baroda Gujarat Gramin Bank (BGGB) is largest bank in Branch Network then Saurashtra Gramin Bank (SGB), Vidharbha Konkan Gramin Bank (VKGB) and Maharashtra Gramin Bank (MGB).
- The share capital of Baroda Gujarat Gramin Bank (BGGB) is Rs.782807 thousand, Saurashtra Gramin Bank (SGB) share capital Rs 245343 thousand, Vidharbha Konkan Gramin Bank (VKGB) Rs 7713406 thousand and Maharashtra Gramin Bank (MGB) share capital Rs 3126278 thousand.
- The total owned funds of Baroda Gujarat Gramin Bank (BGGB) are Rs.121654850 thousand and Saurashtra Gramin Bank (SGB) is Rs 89610293 thousand Vidharbha Konkan Gramin Bank (VKGB) Rs 8481236 thousand and Maharashtra Gramin Bank (MGB) share capital Rs 6440468 thousand.
- The Maharashtra Gramin Bank (MGB) provided maximum borrowing compared to Baroda Gujarat Gramin Bank (BGGB), Saurashtra Gramin Bank (SGB) and Vidharbha Konkan Gramin Bank (VKGB).
- The Maharashtra Gramin Bank (MGB) accepted/ received maximum deposit compared to Baroda Gujarat Gramin Bank (BGGB), Saurashtra Gramin Bank (SGB) and Vidharbha Konkan Gramin Bank (VKGB).
- The Saurashtra Gramin Bank (SGB) issued maximum loan in comparison Baroda Gujarat Gramin Bank (BGGB), Maharashtra Gramin Bank (MGB) and Vidharbha Konkan Gramin Bank (VKGB).
- The recovery performance of Saurashtra Gramin Bank (SGB) is highest compared to Baroda Gujarat Gramin Bank (BGGB), Maharashtra Gramin Bank (MGB) and Vidharbha Konkan Gramin Bank (VKGB).
- The Net NPA of Vidharbha Konkan Gramin Bank (VKGB) is higher than Baroda Gujarat Gramin Bank (BGGB), Saurashtra Gramin Bank (SGB), Maharashtra Gramin Bank (MGB).
- The productivity per Branch of Maharashtra Gramin Bank (MGB) is higher than Baroda Gujarat Gramin Bank (BGGB), Saurashtra Gramin Bank (SGB), Vidharbha Konkan Gramin Bank (VKGB).
- The productivity per Staff Saurashtra Gramin Bank (SGB) is higher than Baroda Gujarat Gramin Bank (BGGB), Saurashtra Gramin Bank (SGB), Maharashtra Gramin Bank (MGB).

## LIMITATIONS OF THE STUDY

The main limitations of the study are as follows;

1. The Data were collected through secondary data from articles and publication; there are chances of biased information provided by the respondents.
2. The Present Study is limited to Regional Rural Banks in Gujarat and Maharashtra State only.
3. The Research is based on the Secondary data and the Tools used have their own Limitations.
4. This Study is limited to the Regional Rural Banks of Gujarat and Maharashtra. So, the generalization of conclusions of the study may therefore not have universal applicability.
5. The Study does not include all the Regional Rural Banks in India. So, the interpretations and findings of this study cannot be generalized without further supporting Researches.

## FUTURE SCOPE OF THE STUDY

1. Geographically, this Study covers RRBs of Gujarat and Maharashtra in India. The Study does not cover other RRBs of other State in India. This type of Study can be done in other RRBs in India like Madhya Pradesh Gramin bank, Andhra Pradesh Grameena Vikas Bank, etc.
2. The Same kind of Study can be done in future with more wide geographical Scope.
3. This study is a Performance Indicators Study which is a part of Banking and Finance which has a wide scope.

## SUGGESTIONS

- Expanding the use of e-Lobby and ATMs in remote regions
- Banks are using rural credit cards that will have a higher credit limit issued.
- The RRBs should change their loan regulations.
- The execution of the plans has to be made more transparent and accountable.
- The RRBs must keep sufficient liquid resources, margin, thoroughly examine loans, and work to enhance the staff's quality of work.
- In order to develop their capacity and reach the untapped rural marker, the RRBs must create efficient coordination with other institutional financial agencies, cooperative banks, commercial banks, and local players.
- The RRBs must strengthen effective credit administration.

## 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 rural area like agriculture, trade, commerce, industry and other productive activities in the rural areas, credit and other facilities, particularly to small and marginal farmers, agricultural laborer, artisans and small entrepreneurs, and for matters connected therewith and incidental thereof”. Regional Rural Banks in Gujarat and Maharashtra are an integral part of the rural credit structure of the state. As we analyze the data it shows that RRBs in Gujarat and Maharashtra are working for the 360-degree development of rural area of state. In short, we can say that it providing rural Gujarat and Maharashtra all round assistance and proved to be an institution where "Growth with Social Justice" exists.

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