



Growth and Performance of Regional Rural Banks in Andhra Pradesh: A Study on Deccan Grameena Bank

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ABSTRACT

The Regional Rural Banks 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 there with and incidental thereto". Deccan Grameena Bank came into operation with effect from 24 March, 2006 upon amalgamation of four RRBs viz., Sri Saraswathi Grameena Bank, Adilabad, Sri Sathavahana Grameena Bank, Karimnagar, Sri Rama Grameena Bank, Nizamabad and Golconda Grameena Bank, Ranga Reddy districts as per the Gazette notification dated 24 March, 2006 issued by the Government of India. The Deccan Grameena Bank showed a good performance through deposits and advances in the backward districts of Telangana. The branch expansion as well as credit and deposits are shown an increasing trend in the study period. Though the bank's area of operations covers towns and metropolis, which is the main reason behind the fulfilling of the objectives of RRBs.

Keywords :

I. Introduction

The biggest challenge facing the country in terms of its both short and long term policy is eradicating of the poverty especially in rural areas. "Rural India is real India and rural development is the real Development of India" said Gandhiji. India is essentially a rural populated country nearly 72.22 per cent of the India's population inhabits in rural areas and 27.78 per cent of population in urban areas. Therefore, the fate of the country depends on development of the rural economy. Particularly rural development accelerates the economic development of the nation. The Government of India recognized this and initiated many programmes for the development of rural poor. Keeping this in mind, rural development programmes occupies a predominant place even in Five Year Plan of the country.

The commercial Banks have gained greater momentum after the nationalization and social control that enabled the speedy expansion of banking sector in India. Nationalization of the 14 commercial banks on 19th July, 1969 and six commercial banks on 15th April, 1980 has resulted in achieving great strides and attracted the attention of social scientists. Later on, the growth in agriculture credit and financing of small scale industries, which are important segments of priority sector, was appreciable. The bank credit has expanded very much and reached to the doorsteps of weaker sections after the establishment of Regional Rural Banks in India on 2nd October, 1975. The banking sector has been involving systematically and guided by the national policies, with a view to helping the poor to develop lot their own by themselves.

The Government of India appointed on July 1, 1975, a working group on Rural Banks under the Chairmanship of Shri M. Narasimhan to "Examine in depth, the setting up of new rural banks as subsidiaries of public sector banks to cater to the credit needs of the rural people ". The group submitted its report on July 30, 1975. And accepting the recommendations of the working group, the Government of India promulgated the Regional Rural Banks Ordinance on September 26, 1975 and the first five RRBs were established on October 2nd, 1975

on Gandhi Jayanthi day. The Ordinance was later replaced by the RRBs Act 1976. Regional Rural Banks thus, came to form the third component of multi-agency credit system for agriculture and Rural Development. The Regional Rural Banks is more suitable form adopting individual approach than the rural branch of a Commercial bank in view of its low cost profile, wide network of its branches in remote rural areas, the local feel of its staff and its image as a small man's institution.

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II. Structure of RRBs

The Regional Rural Banks Act contains various provisions regarding the incorporation, regulation, working and capital of the RRBs. According to the Act, 'the authorized capital of each Regional Rural Bank shall be one crore rupees, divided into one lakh of fully paid up shares of one hundred each'.

The central Government may, however, increase or reduce the authorized capital in consultation with the Reserve Bank of India and the sponsoring bank subject to the minimum of Rs. 25 lakh and the share shall be, in all cases, fully paid up shares of hundred rupees each!

The issued, subscribed and paid up capital for each RRB shall Rs. 25 lakhs, divided into 25000 fully paid up shares of Rs. 100.

The capital issued by a RRB is subscribed in the following manner; fifty percent shall be subscribed by the Central Government, fifteen percent by the concerned State Government, and thirty-five percent by the Sponsor Bank.

The Board of Directors of RRBs may, after consultation with

the Reserve Bank of India, the concerned State Government and Sponsor Bank and with the prior approval with the Central Government, from time increase the issued capital of the Regional Rural Bank and where additional capital is issued, such capital shall also be subscribed in the same proportion of 50:15:35 by the Central Govt., State Govt., and Sponsor Bank respectively.

III. DGB Genesis and Operational Back Ground

Deccan Grameena Bank came into operation with effect from 24 March, 2006 upon amalgamation of four RRBs viz., Sri Saraswathi Grameena Bank, Adilabad, Sri Sathavahana Grameena Bank, Karimnagar, Sri Rama Grameena Bank, Nizamabad and Golconda Grameena Bank, Ranga Reddy districts as per the Gazette notification dated 24 March, 2006 issued by the Government of India. Subsequently, the areas of operation of all four RRBs have come under the aegis of Deccan Grameena Bank. During the year 2008-09, Hyderabad (Urban) district was added to the Bank's area of operation, taking the number of districts to five.

IV. Area of Operation

The area of operation of the Bank is restricted to the northern districts of Telengana viz., Adilabad, Karimnagar, Nizamabad, Ranga Reddy and Hyderabad(U) districts in Andhra Pradesh with a network of 243 branches covering the above five districts.

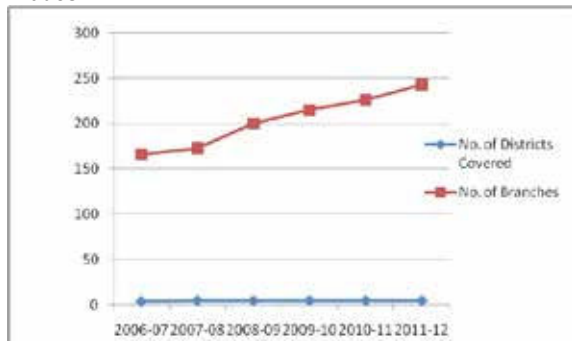
The expansion of Deccan Grameena Bank in terms of number of branches is shown in Table.1. The table reveals the number of branches was increased to 243 in 2011-12 from 166 in 2006-07. Which is an increase of 1.5 times and the growth rate is 68.0 per cent. This is shown in Table 1 and also depicted in the Chart I of Branch Expansion of Deccan Grameena Bank in Andhra Pradesh.

Table-1
Branch Expansion of Deccan Grameena Bank in Andhra Pradesh

S.N.	Year	No. of Districts Covered	No. of Branches
1	2006-07	4	166
2	2007-08	5	173
3	2008-09	5	200
4	2009-10	5	215
5	2010-11	5	226
6	2011-12	5	243

Source: Various Annual Reports of Deccan Grameena Bank

Chart-1
Branch Expansion of Deccan Grameena Bank in Andhra Pradesh



Source: Table-1

V. Credit and Advances of the Deccan Grameena Bank

Deposits Consists of Paid-up Capital, resource fund and balance of profit and loss accounts; barrowed from public, government and Reserve Bank of India while advances Consists of loans and advances. The performance of Dec-

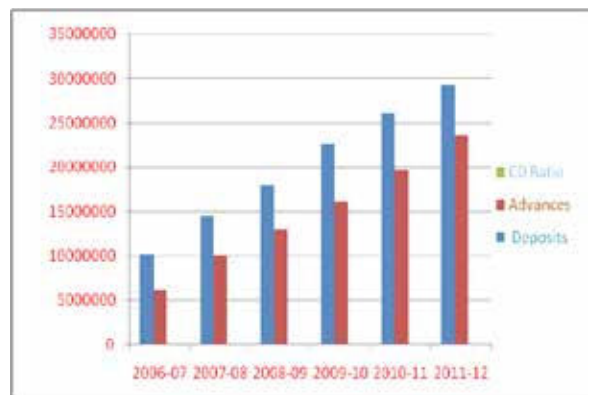
can Grameena Bank in terms of deposits and advances are shown in Table 2. The table shows an increasing trend, which raised to Rs. 29206647 in 2011-12 from Rs. 10114394 in 2006-07. Rs. 14441850 in 2007-08, Rs. 17904337 in 2008-09, Rs. 22610477 in 2009-10 and Rs. 26009444 in 2010-11, which account an increase of 2.9 times. The advances are increased from Rs. 6065010 in 2006-07, Rs. 23623665 in 2011-12, (i.e. an increase of 3.9 times) where as it was Rs. 10014132 in 2007-08, Rs. 12963829 in 2008-09, Rs. 16107772 in 2009-10, Rs. 19661585 in 2010-11 which is an increase of 3.9 times. One of the important criterion in increasing the performance of the banks is through Credit-Deposits Ratio (CD Ratio). The credit-deposit ratio of Deccan Grameena Bank increased to 80.88 per cent in 2011-12 from 60.95 in 2006-07 whereas it was 69.34 per cent in 2007-08, 72.4 per cent in 2008-09, 71.24 per cent in 2009-10 and 75.19 per cent in 2010-11.

Table-2
Performance Indicators of Deccan Grameena Bank
(Rs in 000's)

S.N.	Year	Deposits	Advances	CD Ratio
1	2006-07	10114394	6065010	60.95
2	2007-08	14441850	10014132	69.34
3	2008-09	17904337	12963829	72.41
4	2009-10	22610477	16107772	71.24
5	2010-11	26009444	19661585	75.19
6	2011-12	29206647	23623665	80.88

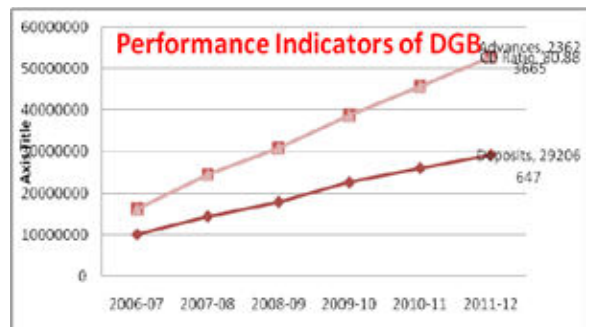
Source: Various Annual Reports of Deccan Grameena Bank

Chart-II
Deposits and Advances of Deccan Grameena Bank



Source: Table 2

Chart III
Performance Indicators of Deccan Grameena Bank
(Advances, Deposits and CD Ratio)



Source: Table 2

VI. Conclusion

The main objective behind the establishment of Regional Rural Banks for the development of rural economy by providing financial assistance to agriculture, trade, commerce, small and house hold industry through credit and advances are being met with the establishment of various area specific Regional Rural Banks. The Deccan Grameena Bank showed a good performance through deposits and advances in the

backward districts of Telangana viz Adilabad, Karimnagar, Nizamabad, Ranga Reddy, and Hyderabad (U). The branch expansion as well as credit and deposits are shown an increasing trend in the study period. Though the bank's area of operations covers towns and metropolis, which is the main reason behind the fulfilling of the objectives of RRBs.

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