CHAPTER – 7

FINDINGS AND RECOMMENDATIONS

7.1 FINDINGS

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7.1 FINDINGS

The present study was undertaken on the topic of “A Comparative study of working and governance of regional rural banks in Gujarat and Rajasthan” for the purpose of investigation. Under this type of investigation, the various aspects of banking operations relating to the financial resources, profitability, income and expenditure, recovery performance etc. of RRBs were studied in detail for the period of 2005-06 to 2014-15. The results of this study have been discussed along with appropriate suggestions in the following paragraph.

1. It was found that the total strength of staff of DGGB, Gujarat stood at 591 in the year 2005-06 and the fluctuation trend where observed. It reached to the level of 746 in the year 2014-15, indicating a fold growth 1.26. During the Year 2006-07 to 2007-08, it showed a decrease trend.

2. The total financial resources of the DGGB which stood at Rs. 81797.96 lakhs in 2005-06 and it was rose to Rs. 375793.73 lakhs in 2014-15, it was showing a continuous increasing trend and indicated 4.59 fold growth during the period from 2005-06 to 2014-15.

3. The total financial resource of the SGB which was Rs. 61454.68 lakhs in 2005-06 and it was rose to Rs. 338829.41 lakhs in 2014-15, indicating a continuous increasing trend and it indicates 5.51 fold growths during the period 2005-06 to 2014-15.

4. The total financial resources of the BGGB which stood at Rs 71255.94 lakhs in 2005-06, rose to Rs 298355.3 lakhs in the year 2014-15, indicating of raising trend during the period from 2005-06 to 2014-15.

5. The total financial resources of the MAGB which stood at Rs 119829.8 lakhs in 2005-06 decreased to Rs. 330245 lakhs in the year 2011-12, exhibiting 2.76 fold growth during the period from 2005-06 to 2011-12.

6. The total financial resources of the BRGB which stood at Rs 25193.96 lakhs in 2005-06, rose to Rs 66850.57 lakhs in the year 2013-14, indicating a raising trend and exhibiting 2.65 fold growth during the period from 2005-06 to 2013-14.
7. The total financial resources of the JTGB which stood at Rs 105,754.4 lakhs in 2005-06 increased to Rs 258,940.8 lakhs in the year 2011-12, indicating a rising trend during the period from 2005-06 to 2011-12.

8. It was observed that the Advances of MAGB were Rs. 2,270.47 lakhs in the year 2005-06 which gone up to Rs. 28,005.31 lakhs in the year 2014-15. The fold growth of MAGB was 12.33 during the period from 2005-06 to 2013-14. The overall observation of advances shows upward trend because bank has given cash credit and bank overdraft on demand. So it can say that MAGB is better than other selected regional rural banks.

9. It was found that the CD ratio of BRGB was 60.19 in the year 2005-06 it was increased to 74.69 in the year 2011-12. The average CD ratio of BRGB was 68.24 so it can say that BRGB is better than other selected regional rural banks.

10. The overall recovery performance of BGGB in the year 2008-09 was 79.19 percent which was the minimum during the working of the bank.

11. The overall recovery performance of BRGB in the year 2005-06 was 81.00 percent which was the minimum during the period year from 2005-06 to 2011-12. In the year 2011-12, the recovery performance was 89.39 percent. It showed a mix trend.

12. The comparative picture of the total income shows increasing trend during the study period. The highest fold growth of total income was 26.07 in SGB whereas lowest 2.46 in JTGB during the period from 2005-06 to 2014-15. The main reasons were revised pay scale and lowering down the rate of interest charged on advances.

13. It was noted that the total expenditure shows increasing trend during the study period. The highest fold growth of total expenditure was 25.62 in SGB whereas lowest 2.83 in MAGB during the period from 2005-06 to 2014-15.

14. It was observed that total expenditure of SGB and BRGB were too high due to interest paid on deposits and borrowing and contribution towards provident fund.
15. The highest fold growth of the net profit was 147.94 in BRGB whereas lowest 0.70 in JTGB during the period from 2005-06 to 2014-15. The overall observation of net profit shows increasing trend.

16. It was noted that income and profit performance of DGGB and JTGB were weak. The main reasons were revised pay scale and lowering down the rate of interest charged on advances.

17. As per ANOVA, P-value is 0.28 > 0.05. Therefore, null hypothesis is accepted. It can be said that there is no significant difference between the total income of selected RRBs of Gujarat and Rajasthan.

18. As per ANOVA, P-value is 0.01 < 0.05. Therefore, null hypothesis is rejected. It can be said that there is significant difference between the total Expenditure of selected RRBs of Gujarat and Rajasthan.

19. As per ANOVA, P-value is 0.00 < 0.05. Therefore, null hypothesis is rejected. It can be said that there is significant difference between the Net Profit of selected RRBs of Gujarat and Rajasthan.

20. As per ANOVA, P-value is 0.00 < 0.05. Therefore, null hypothesis is rejected. It can be said that there is significant difference between the financial resources of selected RRBs of Gujarat and Rajasthan.

21. As per ANOVA, P-value is 0.00 < 0.05. Therefore, null hypothesis is rejected. It can be said that there is significant difference between the total deposits of selected RRBs of Gujarat and Rajasthan.

22. As per ANOVA, P-value is 0.00 < 0.05. Therefore, null hypothesis is rejected. It can be said that there is significant difference between the total borrowings of selected RRBs of Gujarat and Rajasthan.

23. As per ANOVA, P-value is 0.00 < 0.05. Therefore, null hypothesis is rejected. It can be said that there is significant difference between the advances of selected RRBs of Gujarat and Rajasthan.

24. As per ANOVA, P-value is 0.00 < 0.05. Therefore, null hypothesis is rejected. It can be said that there is significant difference between the recovery performance of selected RRBs of Gujarat and Rajasthan.
25. As per ANOVA, P-value is 0.00 < 0.05. Therefore, null hypothesis is rejected. It can be said that there is significant difference between the CD Ratio of selected RRBs of Gujarat and Rajasthan.

26. Comparative study clearly shows that total deposits, advances, total income, net profit, performance of all selected Regional Rural Banks are better accept the JTGB during the study period.

27. DGGB, SGGB, BGGB and MAGB are better amongst selected Regional Rural Banks as per deposits, advances, working capital, and net profit. It was also observed that JTGB is poor as per Reserve Fund, Interest Income, Total Income and Net Profit.

28. The gender wise distribution ratio (M:F) was 2:1 for both states in present study.

29. The study shows that difference in opinion regarding effectiveness of board to be exercising bank’s objective is different in Gujarat and Rajasthan, there is no statistically difference in this difference (p-value >0.05).

30. As per Fisher’s Exact There is no significant difference in opinion on assessing performance and effectiveness by board between respondents from two states (p-value >0.05).

31. As per Fisher’s Exact p-value is 1.000, it concludes that there is no significant difference in opinion between respondents of two states.

32. As per Fisher’s Exact p-value is 1.000 which infers that there is no significant difference in opinion of respondents from both states.

33. It was noted that all respondents from Gujarat state agreed that induction programs should be there for new board members whereas in Rajasthan it is not in either bank. Though it shows difference in opinion between two states, exact p-value is 0.001 implies no significance.

34. It was found that all selected banks from Gujarat and Rajasthan are running training program for management and other staff.

35. The study shows that two-third banks of Gujarat had succession plan for senior management whereas in Rajasthan all banks were lacking with
this program. As sample size is small statistical significance is not found here (Exact p-value = 0.400).

36. It was noted that only One-Third bank of Gujarat and Rajasthan had full compliance with international financial reporting standards.

37. It was also found that all respondents from Gujarat and two-third of Rajasthan, statutory reports submitted by their banks were sufficient for effective governance of bank. There is no significant difference in opinion of respondents from two states (Exact p-value =1.000).

38. Out of three banks from Gujarat and Rajasthan each, 66.67% respondents mean that role of their bank in governing of rural banks were highly effective.

39. All banks have measure in place to ensure that the bank complies with all relevant laws, regulations, governance practices, accounting and auditing standards.

40. In Rajasthan the boards of banks enforce the measures whereas in Gujarat it is enforce by Government, Board, CEO and Shareholders.

7.2 RECOMMENDATIONS

In the background of the problems faced by the Regional Rural Bank in Gujarat and Rajasthan, is suggested that the operational strategies would call for several policy changes and policy shifts. Besides, the inclusion of immense political will also be needed for their implementation

The consideration that the RRBS should necessarily cater to the needs and requirements of the weaker sections of society should never be diluted of compromised.

To improve the working of the RRBs and also to make them viable as well as capable to achieve their goals, the researcher has given some suggestions are as under:
1. There is a need for a comparative study of financial performance for improvement of the RRBs.

2. Performance appraisal for the banking sector’s employees should also be attempted as a part of core research programme.

3. RRBs should really try and undertake pilot studies in the areas where they are not operating today but they may operate tomorrow.

4. There is need for computerization in a large number of areas of operations of banks, with customer service as the main focus. The bank should provide the service to their customers in the form of ATM facility, tele-banking, home banking, anytime and anywhere banking etc.

5. It was found that the share capital of SGB, BGGB and JTGB were lowest. Therefore, the researcher recommends that these banks must maximize its share price.

6. The researcher has found that the total deposits show lowest fold growth 2.15 in JTGB. The researcher recommends that this bank should opening a large number of branches and increasing the number of deposits account.

7. It was observed that reserve funds show lowest fold growth 4.25 in BGGB. The researcher recommends that the bank should reduce expenses for purchase of fixed assets and reduce bonuses.

8. It was found that advances show lowest fold growth 2.22 in JTGB. The researcher recommends that the bank must give cash credit and bank overdraft on demand.

9. It was found that the CD ratio of BRGB was better amongst the selected regional rural banks. The researcher recommends that all selected banks must provide financial assistant to rural areas.
10. During the research study, the researcher came to know that income and profit performance of DGGB and JTGB were weak. The researcher, therefore, strongly recommends that the manager of these banks should make sufficient efforts to increase its income and profit.

11. It was observed that total expenditure of SGB and BRGB were too high. The Researcher, therefore, strongly suggests that these banks should try to control its expenses to increase its profit margin.

12. During the study period the researcher has found that the recovery performance was poor therefore banks must established recovery cells so that banks may approach to these cells for recovery particularly in urban area.

13. The researcher has found that the performance of JTGB was poor. Therefore, the researcher suggests that the bank must increase its investment, its income and decrease its expenses for better performance.

14. Every rural bank must have a general manager to look after routine matters, as suggested by the Dantwala Committee.

15. Banks need to focus more on quality of services in tune with the expectations of the public. Involved product and services have to be marketed and sold base on what values and satisfaction it caters for the customer.

16. It would be necessary for the RRBs to increase their lending for consumption purpose also. This is to be done in the same matter as is done in the case of other loans for productive purpose.

17. The chairman of the RRB is the keyperson; much depends on his all-round capacity and ability for shouldering the responsibility cast on him. The selection of the chairman of a RRB should, therefore, be done by proper method of nomination and interview by a competent panel of experts.
18. The chairman should have a complement of experts in the fields of agriculture, animal husbandry, village and cottage industry, banking and rural economics, etc.

19. Every rural bank must have a General Manager to look after routine matters, as suggested by the Dantwala Committee.

20. The nominees of the State Government on the Boards of Directors should play a more active role at the time of identification of places suitable for establishing rural branches.

21. Recruitment, training and promotions of the staff may be centralized at the state level through autonomous boards.

22. No doubt, recently RRBs employees have been given salaries at par with nationalized banks, but they also should be provided other facilities given to the bank employees.

23. The RRBs have to make vigorous efforts to mobilize rural deposits. Like credit camps, deposit camps should also be organized with wide publicity at the appropriate time of harvesting and marketing of crops.

24. The RBI/NABARD should permit the rural banks to follow one percent more rate of interest on deposits to attract more deposits from the urban and rural people.

25. Building up a reasonable cash balance to meet day-to-day requirements and doing away with the requirements of the SLR can bolster the resources of the RRBs. In this way target groups will get more finance for them and the income of the RRBs will also go up.

26. Each and every farmer should be issued a ‘Loan Book’ in which granting and collection of loans may be noted down by the authorities.

27. It would be necessary for the RRBS to increase their lending for consumption purpose also. This is to be done in the same matter as is done in the case of other loans for productive purpose.
28. The staff of RRB should always be alert and cautious and regard itself the custodian of public money, through over cautiousness is as bad recklessness or over enthusiasm.

29. The top management should also review periodically the sticky accounts and take suitable steps before the situation gets out of control.
7.3 CONCLUSION

Given the crucial role assigned to RRBs in bringing about speedy rural development, the working of these banks needs to be improved. It is in this connection that the authorities are proposing to widen the equity base of RRBs from the present Rs 251 lakhs in addition to this, it is necessary to improve the quality of lending and ensure effective follow-up and supervision over the end use of credit. Another major step is to prevent the misuse of funds by borrowers and willful defaulters. This is necessary, even though the recovery performance of RRBS is generally better than that of commercial banks and central banks. Finally, the present multi agency system of control of RRBs should be replaced by single agency control. The present should be replacing single agency control. The present multi-agency control of RRBs involves sponsor banks. NABARD, RBI, State Government and central Government and this is not conducive to high operational efficiency and viability.

In the ultimate analysis, it has to be born in mind that the RRBs are expected to be no a “transient or temporary structure”, but a permanent set up in the overall rural credit super-structure of the country. Their financing and operations must be so organized as to ensure long-term viability. Any measure to tackle the problem with short term solutions is not likely to be much helpful.

The banking sector becomes the strength of economy of any country. Banks today are the ‘Backbone’ of modern industry. They contribute to the growth and development of the nation. It may truly be said that modern commerce is so dependent upon banking that any disturbance of banking activity, even for a day or two, would completely paralyze the economic life of a nation.

Comparative study clearly shows that total deposits, advances, total income, net profit, performance of all selected Regional Rural Banks are better accept the JTGB during the study period. DGGB, SGGB, BGGB and MAGB are better amongst selected Regional Rural Banks as per deposits, advances, working capital, and net profit. It was also observed that JTGB is poor as per Reserve Fund, Interest Income, Total Income and Net Profit.