CHAPTER-III

REGIONAL RURAL BANKS IN KARNATAKA

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SAMPLER STUDY IN KAVERI GRAMEENA BANK.

3.5 SUMMARY
3.1 Introduction:

The first banks were the religious temples of the ancient world, and were established sometime during the third millennium B.C. Banks predated the invention of money. Deposits initially consisted of grain and later other goods including cattle, agricultural implements, and eventually precious metals such as gold, in the form of easy-to-carry compressed plates. Temples and palaces were the safest places to store gold as they were constantly attended and well built. As sacred places, temples presented an extra deterrent to would-be thieves. Records of loans in Babylon were made by temple priests to merchants in 18th century BC. By the time of Hammurabi’s code, banking was well developed to justify the promulgation of laws governing banking operations.

3.2 Contribution of Regional Rural Bank in Rural Development:

The role of rural development in a country like India, which is predominantly rural, need not be over emphasized. As per the 2001 census, 74.28 per cent of the people of India live in rural areas. Besides, the sharp incidence of poverty countrywide rather than in urban areas emphasizes the supreme need for an accelerated rural development. According to an official estimate, 40.40 per cent of rural population is estimated to be living below the poverty line as against 39.10 per cent in urban areas. Karnataka state has a percentage of 8.7 of the country’s population of which the rural population is 73.56. Moreover, the predominance of the rural sector is evident from the fact that in Karnataka agriculture continues to be the major segment of economic activity. More than 52 per cent of the work force is still dependent on this sector for their sustenance. Further, unemployment is also a crucial problem in Karnataka. There were about 61.65 lakh job seekers in the live registers of employment exchanges at the end of the 2008. The size of land holding in the State has been quite small, the average size of holding being less than 1.2 hectares. About 90.00 per cent of the holdings are below half a hectare in size.

All the above mentioned factors clearly indicate the urgent need for accelerating the rural development process. Rural development for quite a long time was equated with just agricultural growth. The rationale behind this was that benefits of growth would trickle down to the poorer communities. However, the expected phenomenon did hardly actually take place. New technology, which was introduced in the mid sixties, although, was independent of farm size, could largely accrue benefits to larger number farmers who
had access to resources. The resource bias in favour of big farmers is one of the main factors leading to the widening of existing inequalities. Thus much of the hope on the percolation effect in India as well as in other developing countries seems to have faltered. In this regard, the following observation of the Planning Commission’s task force on integrated rural development is pertinent. After careful consideration, the government has chosen to equate rural development with agricultural development. The government is of the view that rural development in the widest spheres includes, crop, animal husbandry and all the allied activities. Here, the word-allied activity encompasses not only agriculture but also all types of development activity intended to improve the quality of life in the villages. It is also to be noted that after the submission of the report of the All India Rural Credit Review Committee (1996), there has been a clear shift from the relative emphasis from purely issues of production to issues relating to distribution, employment and planning for target groups and backward areas. A deliberate attempt was made to tailor the programmes in the field of rural development to suit the needs of the weaker sections.

Thus, it is seen that, the concept of rural development has changed gradually from mere agricultural growth to a comprehensive development of the rural life. In this connection, the World Bank’s definition of rural development is precise and comprehensive. The bank’s paper says that rural development is a strategy designed to improve the economic and social life of a specific group of people-the rural poor. It signifies extending the benefits of development to the poorest among those who seek a livelihood on the land. If these people have to be employed fully and their economic position has to be improved, it is necessary to promote certain other activities such as dairy, poultry etc. as allied activities along with village and cottage industries in order to supplement their meagre farm income. To undertake all these activities, supply of adequate credit is very important. Most of the economic activities in which the weaker sections of the society are engaged in suffer from credit gaps. The gap in credit is high on small farms when compared to medium and large farms. Availability of banking and credit facilities may not be a sufficient condition for the development of people, but certainly an essential condition, without which development cannot and will not take place. According to Joseph Schumpeter “credit was a phenomenon of development and the banking system a key agent in the process of development.”
However, among the numerous adversities of agro-climatic and socio-political dimensions, the single biggest problem that the villagers had to confront was the non-availability of credit at the right time, the rate and the quantum. The organized institutional credit had hardly played any role in the farming community during the early years. The share of institutional agencies, comprising of the government, the co-operatives and the commercial banks in financing the borrowings of the rural households was 7.10 per cent in 1951-52, whereas, the corresponding share of private money lenders was as high as 68.60 per cent. As a result, the moneylenders resorted to several questionable practices due to the helplessness, ignorance and the necessity of the borrower.

In this regard, it is worthwhile to examine the development of rural credit in India. There are a number of experiments conducted on the Indian rural credit scene on rural development and credit facilities. The co-operatives were considered the first institutional agency, set-up for providing credit and other facilities to the rural sector. But, the performance of co-operatives could not occupy any major role in mitigating the miseries of the farmers of the village.

A critical review of the development of co-operative credit societies in the mid 1960s revealed that, although the overall performance of the co-operative credit structure had considerably improved, it was observed that, the small and marginal farmers and agricultural labourers did not receive their due share expected in the area of credit and other facilities. The co-operative finance was often considered, inelastic, dilatory and inadequate largely owing to the inefficiency and selfishness of the managing committee and usually turned to be a place of resort to affluent persons. According to the report of the All India Rural Credit Review Committee, the proportion of the small cultivator who had access to co-operative credit was relatively low in all the States and that the bigger cultivators received a much larger share of co-operative credit. Another study aptly pointed out that the dependence of the co-operative on the Government for funds and day-to-day intervention of the bureaucratic and political functionaries turned these banking units into institutional agencies. Moreover, it is rightly observed that, even in the states, where the co-operative institutions are working satisfactorily, the credit provided by them is far too low and inadequate to satisfy the needs of agriculture.
The primary social objective of co-operatives is to improve the economic condition of the weaker sections. Quite often, it is seen that, the economically well placed agricultural classes or groups in the area also dominate the co-operative scene. It is rightly pointed out that, the main reason for the failure of the co-operatives is because of the fact that they have emerged as a reaction against poverty with out any belief in self-help and mutual well-being. According to Charles Guide “co-operatives are the children of necessity and the government have nothing to do with co-operatives”13. Contrary to this, co-operatives in India have emerged with a piece of legislation. The movement was born in response to challenges of poverty and hunger without any consent of people affected.

The performance of commercial banks was also not satisfactory; in spite of the tremendous growth in the number of branches, particularly in the rural activities more or less remained almost untouched for the rural people. This gross neglect resulted in the failure of the anti-poverty programmes. The role of commercial banks in the rural areas till recently was to mobilize deposits and not to finance either agriculture or cottage industries. It was because commercial banks not only in India, but also in most of the other countries are hardly designed for agricultural finance. This is the experience of several countries in which agriculture predominates. Moreover, with regard to commercial banks, the entire lending policy was tied to asset nexus. The larger the assets, the easier it was to get a loan at a lower rate of interest. Again, the commercial banks were still operating their branches in rural areas for mobilizing more deposits than for the deployment of credit which resulted in a reverse flow of funds from the rural to urban areas.

Moreover, even the expert committees which inquired into the credit requirements of agriculture, right from the All India Rural Credit Survey 1951-52, up to the informal groups on institutional arrangements for agriculture credit in 1965 emphatically asserted that commercial banks were not suited to lend to agricultural purposes.

The failure of commercial banks to meet the requirements of borrowers can be seen from the draft of the sixth five year plan. It states that, the major beneficiaries of the banking system have been the wealthier part of the population both in urban and rural areas and the vast majority of poverty stricken have been untouched. Again, the Siva Raman committee (CRAFICARD) in 1981 observed that, there is an urge always among the bank staff to get transferred from a rural branch to an urban one at the earliest opportunity.
From the foregoing discussion, one can observe that credit constitutes an integral part of overall development of rural economy and the two major systems viz., the co-operatives and commercial banks miserably failed to deliver in its right type, rate and quantum. It was therefore, considered expedient to have a special type of institution, which could be responsive to the overall requirements of rural credit. This resulted in the establishment of Regional Rural Banks (hereafter referred to as RRBs) to cater to the needs of the rural community. In short, failure of co-operatives and commercial banks to meet the growing credit requirements of the small and marginal farmers, rural artisans, and farm labourers in rural areas is the rationale behind the origin of RRBs. The announcement of the twenty point programme on 1st July 1975, provided an opportunity for the setting up of some kind of a new institutional arrangement like rural banks for providing rural credit. Thus, a special institution under the name of RRBs (also called Grameena Banks) appeared on the rural credit scene of India on September 26, 1975, when the government of India promulgated an ordinance to provide for the incorporation and regulation of the RRBs and first five banks in four states commenced business on 2 October 1975. This was considered one of the major structural changes in rural banking in India.

The first five Regional Rural Banks were established on October 2, 1975. By the end of 1976, 40 Regional Rural Banks have been established. In 1978, the government set up a review committee on Regional Rural Banks, headed by M.L. Dantawala. The committee considered that the performance of the regional rural banks was good and that the financial results of the working of some of these banks showed that RRBs have become an integral part of the rural credit structure. The RBI also made a study on the viability of RRBs in 1980 and concluded that on an average, an RRB would require about 6 years time and a net work of 70 branches to become viable. These studies gave the necessary impetus to the process of establishing and expanding RRBs all over the country. By the end of June 2005, there were 183 RRBs, covering 322 districts in 23 States and Union Territories in the country. This figure has further increased to 189 by the end of 2008-09. According the 2012-13 the status of RRB’s is 61 in India.
3.3 PROFILE OF REGIONAL RURAL BANKS IN KARNATAKA

1. PROFILE ABOUT KAVERI GRAMEENA BANK

Kaveri Grameena Bank (KGB), a Regional Rural Bank established under the Regional Rural Banks’ Act 1976, is a Scheduled Bank jointly owned by the Government of India, State Bank of Mysore and Government of Karnataka (share capital contributed in the ratio of 50:35:15 respectively), permitted to carry all kinds of banking business. The Bank operates in 10 districts of South Karnataka, having its Head Office at Mysuru City with eight Regional Offices at Mysur, Mandya, Bengaluru, Tumakur, Hassan, Chamarajanagar, Madikeri and Chikkmagalur.


Mission Statement

"Partnering in the improvement of the standard of living of all our customers and growing as a prime and strong Rural Bank in the state and the country is our Goal”. “Sincerely responding to the wishes and aspirations of our customers and Serving them with a smile beyond their expectation is our Motto”, id the mission statement of Kaveri Grameena Bank.

Table No: 3.01

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>District</th>
<th>Rural</th>
<th>Semi-Urban</th>
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<td>3</td>
<td>Hassan</td>
<td>48</td>
<td>9</td>
<td>2</td>
<td>-</td>
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2. PROFILE ABOUT PRAGATHI KRISHNA GRAMEENA BANK

PragathiGramin Bank and Krishna Gramin Bank have been amalgamated into a new entity “Pragathi Krishna Gramin Bank”. Pragathi Krishna Gramin Bank with Head Office at Bellary came into existence on 23rd August 2013 with the amalgamation of 2 RRBs viz, erstwhile PragathiGramin Bank (Sponsored by Canara Bank with Head Office at Bellary) and erstwhile Krishna Grameena Bank (Sponsored by State Bank of India with Head Office at Kalburgi. The Bank was formed as per gazette Notification of Government of India No. F1/5/2011- RRB (Karnataka) dated 23.08.2013.

Performance of Highlights:

1. Total business rose to Rs. 16697 Crore with a growth of 19.63 percent Aggregate deposits improved to Rs. 8711 Crore with a growth of 19.79 percent
2. Share of CASA 42.14 percent of Aggregate deposits
3. Outstanding advances increased to Rs. 7986 crore with a growth of 19.47 percent
4. Outstanding Priority Sector Advances stood at Rs. 6813 crore with a growth of 17.22 percent and accounted for 85.04 percent of outstanding total advances.
5. Outstanding agricultural advances stood at Rs. 5305 crore with a growth of 16.99 percent accounting to 66.42 percent of total advances outstanding.

6. Gross NPA reduced to Rs. 260 crore from Rs. 308 Crore from the previous year

7. Net NPA reduced to Rs. 90 crore from Rs. 150 crore the previous year. The level of Net NPA came down to 1.15% from the previous year’s figure of 2.31 percent.

8. Operating profit improved to Rs. 186.91 crore with a growth of 14.90 percent

9. Net Profit improved to Rs. 104.70 crore with a growth of 32.65 percent

10. 14210 fresh SHG’s formed as against the Target of 4000 groups

11. 8365 fresh SHG’s Credit Linked as against the target of 2000 groups

12. A total of 12344 SHG’s were as against the target of 7000 groups for the year. 1352 JLG’s were formed as against the target of 1000 JLG’s.

13. The Bank stood first among all RRB’s in the country in distribution of RuPay ATM Debit cards by distributing over 1.72 lakh cards and received the NPCI award from the Hon’ble President of India, Sri Pranab Mukherjee on 8th May, 2014 at RastapathiBhavan, New Delhi

14. Introduced Mobile Banking during the year

15. 122 new ATMs were opened during the year. As on March 2014, 152 ATMs were installed

16. first currency chest was opened at Chitradurga during May 2013

17. the Bank entered into a MoU with M/s Weizmann Forex Ltd., For undertaking Western Union Money Transfer business

18. After amalgamation on 23.08.2013, all the 602 branches of the Bank were brought under a uniform CBS platform in a record time by March 2014.

19. The Bank introduced its own Intranet channel (Pragathi Krishna Vahin)

20. Video Conference facility with the sponsor bank and administrative units was made operational

21. Appointed 808 Business Correspondents Agents (BCA) covering 2083 financially Included Villages
Rural Development

The bank states “We are a Regional Rural Bank (RRB). RRB’s are established by Govt. of India, under the provisions of RRB Act 1976, enacted by Parliament. The objective of setting up of these special categories of Banks is to cater to the basic banking needs of rural people in particular, to contribute to the development of rural economy and prosperity of the region and employment generation. RRBs have now become an integral part of the Indian Banking System. Pragathi Krishna Gramin Bank is a scheduled bank, notified by RBI. Being a Regional Rural Bank we have more than 75 percent of branches in rural areas. In addition to extending banking facilities we provide service in crop insurance coverage, NREG, Social Security Pension payments, and Non life insurance products.”

A) Joint Liability Groups:

“To help the rural poor small and marginal farmers, tenant farmers and oral lessees, share croppers, and entrepreneurs engaged in various types of activities, who do not have proper land records for availing loan, our bank has formed Joint Liability Groups and issued loans to the groups for growing crops and other allied activities. JLG financing works on similar lines of SHG but there is no compulsion for savings. As on 31.03.2014 we have 1352 JLG groups with credit outstanding Rs. 25.72 crore.”

B) Farmers Club:

“Farmers Club is a forum of farmers to effectively convey the issues/problems of the farming community/village to departments concerned and to find solutions. Some of the objectives of Farmers Club are as below: Having contact with new markets, companies for marketing agricultural produce, To Create awareness among farmers about new and innovative method of farming, post harvesting management of produce, marketing, water conservation, etc., for better productivity and profitability. To enlighten the members about new policies of the government, like storage, marketing, exports etc. The Farmers Club educate the villagers/farmers on various matters by arranging meets, seminar and exposure visits. Farmers Club educates the farmers/villagers to utilize the bank loan for productive purpose and to repay the bank loan within the due date. Farmers Club to create awareness among the farmers about social evils like untouchability, communalism,
atrocity on women, child labour, bonded labour, dowry system etc. Our bank has launched 1686 Farmers Club as at 31.03.2014 with 11 new clubs opened during the year. Our bank has opened Farmers Club development cell at our Head Office to give focused attention on the activities of the clubs. With a view to strengthen the movement of educating the farmers community, the Bank has implemented yet another innovative step by forming Federation of Farmers Club at taluk level.”

Financial Literacy

The Bank has been instrumental in setting up of 7 FLCs in each district.

Money Lender Free Villages:

The Bank is voluntarily pursuing the objective of freeing households in debt from the clutches of the private money lenders. Basic credit needs are met by the bank to avoid approaching money lenders.

Providing Self Employment Training to Rural Youth:

“We have joined hands with our Sponsor Bank to sponsor Rural Self Employment Training Institution at Chikkaballapura, to provide training to rural youth in vocational/income generating activities. The Bank is also providing guidance and input for rural youth to take to entrepreneurship by encouraging them to take up training at RUDSET Institutes and other institutes.”

Self Help Groups

“The Bank is taking initiative for expanding its outreach in credit linkage with due consideration to land holding support to SHGs from reputed NGOs. During the year the Bank roped in the services of M/s SAMUHA, M/s SKDRDP and MYRADA for promotion of SHGs in districts covered by us. We have linked a total of 6865 groups with loan amount of Rs. 41.61 crore through these NGOs.”

Solar Home Lighting

Uninterrupted power supply is one of the important aspects of infrastructure for development of the economy. Further there are many remote village households which do
not have power adversely affecting the economic and social activities in rural areas. Solar power is an alternative source of energy that can solve power cut problems to some extent. The Bank has disbursed Rs. 2.50 crore to 1191 rural households this year (2015). Overall Bank has sanctioned Rs. 10.38 crore to 6300 households under this programme.

**Farmer Clubs**

“Farmers Clubs are grass root level organizations of the local farming community having strong link with the local people and influencing powers and have knowledge of the local milieu and serve as a strong link between banks and the local community. NABARD has been the driving force behind the initiation of this Scheme in our Bank. In association with NABARD, Bank has launched a total of 1686 Farmer Clubs of which 11 new Farmer Clubs have been formed during the year.”

The functioning of the Farmer Clubs is monitored and guided by the Farmers Club Development Cell constituted by the Head Office. The Cell is focusing attention on active existence of Farmer Clubs, through various extension activities organized at field level in co-ordination with developmental agencies and Branches.

“All our Branches have at least one Farmer Club. The objective of the Farmer Clubs is to help the farmers to update knowledge on scientific farming. Our branches are organizing periodical extension activities involving KrishiVigyan Kendras, Agricultural Colleges, Agriculture/ Horticulture/ Animal Husbandry Departments, Subject experts and successful farmers. These meets aim at creating awareness about the latest scientific farming practices amongst the farmers.”

**Table No: 3.02**

**Branch Network of Pragathi Krishna Grmaeena Bank**

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>District</th>
<th>Rural</th>
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<th>Urban</th>
<th>Total</th>
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<td>Bellary</td>
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3. PROFILE ABOUT KARNATKA VIKAS GRAMEENA BANK

Malaprabha Grameena Bank, Bijapur Grameena Bank, Varada Grameena Bank and Netravathi Grameena Banks were the four RRBs, sponsored by Syndicate Bank, in the State of Karnataka. When the above RRBs were established without much ado way back in the 1970/80s, people may not have had the slightest idea about the ripple that these RRBs would create in the banking industry and the impact that they would have on the rural scene. In the formative years, the main concern was to reach out to the rural poor through its strong network of branches. The Banks were playing a pivotal role in bringing about a metamorphosis in their respective areas of operation through implementation of the various schemes and programmes tailored to suit the requirements of their customers. As part of the measures which lead to strong, efficient and a vibrant Banking System, the mergers and restructuring phase of the recommendations of the Narasimhan Committee is now being implemented and thus the four RRBs sponsored by Syndicate Bank in the State of Karnataka were amalgamated to form the KARNATKA VIKAS GRAMEENA BANK by a Government of India Notification dated 12th September 2005. The combined business level of this Bank was Rs.3263.73 crores with deposits of Rs.1620.46 crores and advances of Rs.1643.27 crores as on 12th September 2005.
Table No: 3.03

Branch Network of Karnataka Vikas Grameena Bank

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<th>Sl.No.</th>
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<td>Total</td>
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3.04 Performance Evaluation of Mergers and Acquisition in RRBs Sample study in Kaveri Grameena Bank.

Table No: 3.04

KAVERI GRAMEENA BANK
Performance of the Bank under various parameters as on Merger date and position on March 2013:

<table>
<thead>
<tr>
<th>PARAMETERS</th>
<th>Cauvery Kalpatharu Grameena Bank</th>
<th>Chikkamagalur–Kodagu Grameena Bank</th>
<th>Visveshvaraya Grameena Bank</th>
<th>Kaveri Grameena Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount in Crores.</td>
<td>31.03.12 31.10.12</td>
<td>31.03.12 31.10.12</td>
<td>31.03.12 31.10.12</td>
<td>31.03.12 31.10.12</td>
</tr>
<tr>
<td>Deposits</td>
<td>2602.96 2573.80</td>
<td>420.54 442.19</td>
<td>284.97 288.08</td>
<td>3308.47 3303.73</td>
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<tr>
<td>Advances</td>
<td>2042.07 2252.15</td>
<td>277.06 314.22</td>
<td>198.58 220.46</td>
<td>2517.71 2787.90</td>
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<td>Total Business</td>
<td>4645.03 4825.95</td>
<td>697.60 756.41</td>
<td>483.55 508.54</td>
<td>5826.28 6091.63</td>
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<td>CD Ratio</td>
<td>78.45 87.50</td>
<td>65.88 71.06</td>
<td>69.68 76.53</td>
<td>76.10 84.39</td>
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<td>Net Worth</td>
<td>194.47 206.79</td>
<td>31.70 31.82</td>
<td>31.56 33.29</td>
<td>257.73 272.40</td>
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<td>Total No. of Business</td>
<td>230 231</td>
<td>58 58</td>
<td>32 32</td>
<td>320 321</td>
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<td>Total No. of Staff</td>
<td>1021 986</td>
<td>2130 217</td>
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<td>Per Branch Business</td>
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<td>12.03 13.04</td>
<td>15.11 15.89</td>
<td>18.21 18.98</td>
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<td>Per Employee Business</td>
<td>4.55 4.88</td>
<td>3.28 3.49</td>
<td>3.45 3.48</td>
<td>3.35 4.54</td>
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<td>NPA(Gross)</td>
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<td>26.55 25.87</td>
<td>9.11 8.93</td>
<td>102.14 98.25</td>
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<td>Loss assets</td>
<td>4.15 2.87</td>
<td>2.48 6.43</td>
<td>0.96 0.80</td>
<td>0.80 5.40</td>
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The above table indicates that after mergers and acquisition how deposits are increasing in the Kaveri Grameena Bank.
After the Consolidation of RRBs particularly in Kaveri Grameena Bank the Networth has been increasing drastically in the kaveri Grameena Bank.

In the wake of global competition business plays a very important role. This table is indicates of a Kaveri Grameena Bank after Mergers and Acquisition and the total Business branch wise and its increase.
After liberalization of the economic policy on par with the commercial banks, RRBs are also providing loans and advances in a large manner to the poor farmers, artisans, labourers and small entrepreneurs.

In the wake of global competition total business plays a vital role because today all private and foreign banking institutions concentrate the profit making motive but RRBs are inclined more on cogenrating social banking, good and reasonable services are provided to the customer, then automatically the total business of the RRBs increase.
In the present banking institution there is more focus on the CD ratio, whereas in RRBs particularly in Kaveri Grameena Bank there is a slight increase after mergers and acquisition.

In the modern banking system total business are plays a vital role because today competition is a very huge one to survive in the market. The RRBs are providing good and fast services in a very easier manner which automatically increases the total s business.
In the modern liberal regime human resource is treated as a precious asset because without human resource one cannot run any organization. Here also after mergers and acquisition the total number of staff is increasing.

In the modern globalization era per branch business plays a vital role because most of the private and foreign banks are profit oriented. But today no bank is concentrating on providing better service to the customer. That is why today RRBs are focusing more on the affordable services to words the poor farmers and labourers which is most worthy and also increase the per branch business.
In the modern era banking system intense focused is on increasing the per employee business but RRBs particularly in Kaveri Grameena Bank after the mergers and acquisition are drastically increasing the is per employee business.

Today all the banking institutions face a very keen problem like NPA, because of pesticides, gambling, unpredictable monsoon and poor irrigation facility. Yet kaveri Grameena Bank after mergers and acquisition has taken many steps to cross the barriers and reduce the NPA rate in recent banking trends.
Way back in 1976 when RRBs were established and while so many banks collapsed because of proper maintenance of is assets after the merger and acquisition, Kaveri Grameena Bank more focused on reducing the loss of assets in future.

3.5 Summary:

Consolidation through Merger and Acquisitions may be the requirement of the future. Merger and Acquisition in future should aim at creation of a strong entity and to develop ability to withstand market shocks instead of protecting the interests of depositors of weak banks. The Merger and Acquisitions in the banking sector should be driven by market related parameters such as size and scale; geographical and distribution synergies and skills and capacity. The emerging market dynamics like falling interest rate regime makes the spread thinner; increasing focus on retail banking, enhanced quest for rural credit, felt need for increasing more profits especially from operations, reduction of NPA's in absolute terms, need for more capital to augment the technology needs, etc are the major drivers for mergers and acquisitions in the banking sector.

Merger and Acquisitions are no substitute for poor assets quality, lax management, indifference to technology upgradation and lack of functional autonomy and operational flexibility. The banking system will have to be managed by competent and independent people having adequate power and full operational autonomy.