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CHAPTER - VII
RESULTS, DISCUSSIONS AND MAJOR FINDINGS OF THE STUDY

With the help of obtained results from the previous chapter 'Data Analysis & Interpretation' the current chapter is being carried out as a grand summary of results, which formed the basis of this thesis. Various tools were applied on the data and significant result was obtained to meet the objectives of the research. Results of the analysis are supported by the appropriate literatures to explain the summarized findings. Thus, this chapter is an attempt to discuss the findings of the study in the light of the available literatures.

The following discussions on seventeen hypotheses were carried out and the basis of formulation was the determined objectives. In the beginning this study has determined the objectives to identify the attributes of financial performance of regional rural banks perceived by the employees. The statistical tools factor analysis; correlation and regression were applied to test these hypotheses. The findings concluded that there is a positive linear relationship between variables of capital adequacy and financial performance parameters, financial ratios and business ratios, balance between inflow and outflow funds, loan disbursement and profitability, profitability and operational efficiency.

7.1 POTENTIAL EXPLORED FACTORS OF FINANCIAL MANAGEMENT

The study explored five factors of Financial Management (Recovery of Loan, Loan Sanction and Disbursement, Operational Efficiency, Liberal Credit Policy and Employees Knowledge) and determined to measure the linear relationship with performance of regional rural banks. Above all, sustaining a financial performance comes from the banks genuinely caring for its customers and employees, not just because they are a source of business, but in recognition that a bank cannot survive and thrive without the customers it serves and the apex bodies it works with. Customer needs are becoming increasingly diverse. These needs can no longer be satisfied by a mass marketing approach. Banks can cope with this diversity by grouping customers with similar requirements and their behaviour into segments. Identification of the appropriate premise of segmentation can then be made, thus making the best of finite resources. Therefore it becomes significant to understand how consumers make decisions which are critical for bank managers, especially in the rural areas where customers are illiterate and unaware about the scenario.
The above mentioned five factors were explored to examine the attributes of Financial Management and significantly these have the greater impact on the performance of regional rural banks' operations & functions. These factors are as follows:

*Recovery of Loan:* This factor depends on the operational efficiency of banks to recover the amount from the customers.

*Loan Sanction & Disbursement:* The financial management includes the sanctioning and disbursement of loan effectively and efficiently. As it is difficult task to explain the terms and the mode of payment to those rural customers.
Operational Efficiency: The performance of the banks depend on the operational functions as it includes the various measures such as; prompt service, complaint handling, sustaining CRM etc.

Liberal Credit Policy: The banks have to maintain CRM through credit policy that should be liberal.

Employees' Knowledge: Overall the strength of the banks are always lies in the employees knowledge. This is the important factor as they are in direct touch with the customers.

7.2 FACTOR BASED HYPOTHESIS TESTING RESULT'S DISCUSSION

The current research has tried to investigate the influential factors associated with the financial management and on the basis of factors following hypotheses have been tested to conclude the findings. Findings revealed results in the expected direction for the first factor based hypothesis has proven that there is no significant relationship between Regional Rural Bank’s Performance (Narmada Jhabua Gramin Bank) and Capital Adequacy.

Capital adequacy ratio shows the capital strength of the bank. CAR is a signal of soundness of the financial position of the bank. This ratio shows the bank's ability to face the worst period by paying its debts from its capital in case of huge Nonperforming assets, and less chances of the bank's financial distress. This ratio is used to protect depositors and promote the stability and efficiency of financial systems around the world. To test the hypothesis correlation and regression were applied and it is concluded that banks' performance has positive relationship with capital adequacy. The important values, generated by SPSS through running regression on the data collected are as follow: Coefficient of Correlation, R-.872, Coefficient of Determination, R2-.761, F-Test Value-6.356 at P-value-.001 and lastly tolerance level is determined through coefficient of independent variable, Beta-.2.806. The calculated value of F is higher than tabulated value at 5% significant level, so null hypothesis is rejected and alternate hypothesis is accepted. The value of T-test is 2.521 (Refer Table No. 5.6 is significant at 5% level of significance. F value is greater at 1 degree of freedom. Hence, the relationship between independent variable and dependent variable is .872 and 76.1% change is explained in the variable of capital adequacy by banks' performance. (Refer Table No.5.4. The estimated regression model of data shows that there is a (strong effect) positive relation
between capital adequacy & banks’ performance. It also tells us that a change in banks’ performance (Narmada Jhabua Gramin Bank) will enhance up to 2.806 capital adequacy. The F-calculated value is 6.356, so, the overall model is significant under the condition that F-calculated > F-tabulated. In this case the data shows that the model is significant at p-value. The p-value from the result is less than 0.05. Thus, the null hypothesis is rejected and the alternative hypothesis is accepted. The findings are statistically significant at the 5% level. The findings concluded that Banks’ performance is the way and an attempt to meet the capital adequacy.

The result of the second factor based hypothesis assumed is inclined with the available literatures. For the hypothesis, **there is no significant relationship between Regional Rural Bank’s Performance (Madhyanchal Gramin Bank) and Capital Adequacy.** To test the hypothesis correlation and regression were applied and it is concluded that banks’ performance has positive relationship with capital adequacy. The important values, generated by SPSS through running regression on the data collected are as follow: Coefficient of Correlation, R-.890, Coefficient of Determination, R2-.793, F-Test Value-7.651 at P-value-.001 and lastly tolerance level is determined through Coefficient of independent variable, Beta-.5.837. The calculated value of F is higher than tabulated value at 5% significant level, so null hypothesis is rejected and alternate hypothesis is accepted. The value of T-test is 2.766 **(Refer Table No. 5.13 is significant at 5% level of significance. F value is greater at 1 degree of freedom. Hence, the relationship between independent variable and dependent variable is .890 and 79.3% change is explained in the variable of capital adequacy by banks’ performance. **(Refer Table No. 5.11 The estimated regression model of data shows that there is a (strong effect) positive relation between capital adequacy & Madhyanchal Gramin banks’ performance. It also tells us that a change in banks’ performance (Madhyanchal Gramin Bank) will enhance up to 5.837 capital adequacy. The F-calculated value is 7.651, so, the overall model is significant under the condition that F-calculated > F-tabulated. In this case the data shows that the model is significant at p-value. The p-value from the result is less than 0.05. Thus, the null hypothesis is rejected and the alternative hypothesis is accepted. The findings are statistically significant at the 5% level. The findings concluded that the performance which includes profitability, deposits, disbursement of Banks’ performance is the way and an attempt to meet the capital adequacy.
For the next hypothesis stated that there is no significant relationship between Regional Rural Bank's Performance (Central Madhya Pradesh Gramin Bank) and Capital Adequacy. To test the hypothesis correlation and regression were applied and it is concluded that Central M.P Gramin banks' performance has a positive relationship with capital adequacy. The important values, generated by SPSS through running regression on the data collected are as follow: Coefficient of Correlation, R-.975, Coefficient of Determination, R2-.950, F-Test Value-38.108 at P-value-.000 and lastly tolerance level is determined through Coefficient of independent variable, Beta-6.012 The calculated value of F is higher than tabulated value at 5% significant level, so null hypothesis is rejected and alternate hypothesis is accepted. The value of T-test is 6.173 (Refer Table No. 5.20 is significant at 5% level of significance. F value is greater at 1 degree of freedom. Hence, the relationship between independent variable and dependent variable is .975 and 95% change is explained in the variable of capital adequacy by banks' performance. (Refer Table No. 5.18. The estimated regression model of data shows that there is a (strong effect) positive relation between capital adequacy & Central M.P Gramin banks' performance. It also tells us that a change in banks' performance (Central M.P Gramin Bank) will enhance up to 6.012 capital adequacy. The F-calculated value is 38.108, so, the overall model is significant under the condition that F-calculated > F-tabulated. In this case the data shows that the model is significant at p-value. The p-value from the result is less than 0.05. Thus, the null hypothesis is rejected and the alternative hypothesis is accepted. The findings are statistically significant at the 5% level. The findings concluded that the performance which includes profitability, deposits, disbursement of Banks' performance is the way and an attempt to meet the capital adequacy.

For the next fourth hypothesis stated there is no significant relationship between Regional Rural Bank's Performance and Capital Adequacy. To test the hypothesis correlation and regression were applied and it is concluded that Central M.P Gramin banks' performance has positive relationship with capital adequacy. The important values, generated by SPSS through running regression on the data collected are as follow: Coefficient of Correlation, R-.932, Coefficient of Determination, R2-.868, F-Test Value-13.178 at P-value-.003 and lastly tolerance level is determined through Coefficient of independent variable, Beta-8.276 The calculated value
of F is higher than tabulated value at 5% significant level, so null hypothesis is rejected and alternate hypothesis is accepted. The value of T-test is 3.630 (Refer Table No. 5.26 is significant at 5% level of significance. F value is greater at 1 degree of freedom. Hence, the relationship between independent variable and dependent variable is .932 and 86.8% change is explained in the variable of capital adequacy by regional rural banks' performance. (Refer Table No. 5.24. The estimated regression model of data shows that there is a (strong effect) positive relation between capital adequacy & regional rural banks' performance. It also tells us that a change in banks' performance (regional rural Banks) will enhance up to 8.276 capital adequacy. The F-calculated value is 13.178, so, the overall model is significant under the condition that F- calculated > F- tabulated. In this case the data shows that the model is significant at p-value. The p-value from the result is less than 0.05. Thus, the null hypothesis is rejected and the alternative hypothesis is accepted. The findings are statistically significant at the 5% level. The findings concluded that the performance which includes profitability, deposits, disbursement of regional rural Banks' performance is the way and an attempt to meet the capital adequacy.

Similar studies were conducted by many researchers on capital adequacy which is the best determinant in giving the input in measuring the financial performance of banks. Business grows mainly by taking risk as greater the risk, higher the profit and hence the entity must strike a trade-off between the two. Risk is the potentiality that both the expected and unexpected events may have an adverse impact on the bank's capital and earnings. While the expected losses are generally taken care of by suitable pricing methodology, the unexpected losses, both on account of individual exposure and the whole portfolio in entirety, is to be borne by the bank itself and hence is to be taken care of by the requisite capital. Hence the need for suitable capital structure and sufficient Capital Adequacy requirements is felt (Raghavan, 2004). Capital is essential and critical to the perpetual continuity of a bank as a going concern. A minimum amount of capital is required to ensure safety and soundness of the bank and also to build trust and confidence of the customers. A bank with a sound capital position is able to pursue business opportunities more effectively and has more time and flexibility to deal with problems arising from unexpected losses thus achieving increased profitability (Athanasoglou et al., 2005). A Study by Hassan (2001) examined the performance of Islamic banks'
worldwide during 1994-2001. Variety of internal and external banking characteristics were used to predict profitability and the result indicated high capital lead to high profitability. Abreu (2002) found that well capitalized banks face lower expected bankruptcy costs and thus lower funding costs and this resulted into better profitability. Stiroh (2002) assessed the potential benefits from the diversification of activities and increasing reliance on non-interest income. The result of this present study suggested that banks' performance in terms of deposits, borrowings, profitability, loan disbursement, recovery have the greatest impact on banks' capital with regard to the capital adequacy.

For the hypotheses stated there is no balance between Inflow and Outflow of funds in Madhyanchal Gramin Bank, Central M.P Gramin Bank and Narmada Jhabua Gramin Bank. To test the hypothesis correlation was applied and it is concluded that there is a balance between inflow and outflow of funds in Madhyanchal Gramin banks Central M.P Gramin bank and Narmada Jhabua Gramin Bank. The correlation value is .785, .980 and .984 respectively. The association is strong between inflow and outflow of funds in all these three banks. The inflow and outflow includes deposits, borrowings, operating expenses, loans and advances, investments in different avenues. The p-value from the result is less than 0.05. Thus, the null hypothesis is rejected and the alternative hypotheses are accepted with respect to the three regional rural banks. The findings are statistically significant at the 5% level. For the hypothesis that there is no balance between Inflow and Outflow of funds in RRBs. The correlation value is ,878 hence, the association is strong.

For the next hypothesis stated there is no significant impact of Business Ratios on Financial Ratios with regard to the Central M.P Gramin Bank. To test the hypothesis correlation and regression were applied and it is concluded that there is a significant impact of business ratios on financial ratios in Central M.P Gramin Bank. The important values, generated by SPSS through running regression on the data collected are as follow: Coefficient of Correlation, R-.877, Coefficient of Determination, R2-.769, F-Test Value-6.658 at P-value-.002 and lastly tolerance level is determined through Coefficient of independent variable, Beta-5.981 The calculated value of F is higher than tabulated value at 5% significant level, so null hypothesis is rejected and alternate hypothesis is accepted. The value of T-test is 4.280 (Refer Table No. 6.7 is significant at 5% level of significance.
F value is greater at 1 degree of freedom. Hence, the relationship between independent variable and dependent variable is .877 and 76.9% change is explained in the variable of financial ratios by business ratios in Central M.P Gramin Bank. {Refer Table No. 6.5. The estimated regression model of data shows that there is a (strong effect) positive relation between financial ratios & business ratios. It also tells us that a change in business ratios (Central M.P Gramin bank) will enhance up to 5.981 financial ratios. The F-calculated value is 6.658, so, the overall model is significant under the condition that F- calculated > F- tabulated. In this case the data shows that the model is significant at p-value. The p-value from the result is less than 0.05. Thus, the null hypothesis is rejected and the alternative hypothesis is accepted. The findings are statistically significant at the 5% level. The findings concluded that the business ratios is an important measure to determine the impact on financial ratios.

For the hypothesis no.10 stated there is no significant impact of Business Ratios on Financial Ratios with regard to the Narmada Jhabua Gramin Bank. To test the hypothesis correlation and regression were applied and it is concluded that there is a significant impact of business ratios on financial ratios in Narmada Jhabua Gramin Bank. The important values, generated by SPSS through running regression on the data collected are as follow: Coefficient of Correlation, R-.974, Coefficient of Determination, R2-.948, F-Test Value-110.409 at P-value-.000 and lastly tolerance level is determined through Coefficient of independent variable, Beta-9.553 The calculated value of F is higher than tabulated value at 5% significant level, so null hypothesis is rejected and alternate hypothesis is accepted. The value of T-test is 17.877 {Refer Table No. 6.13 is significant at 5% level of significance. F value is greater at 1 degree of freedom. Hence, the relationship between independent variable and dependent variable is .877 and 76.9% change is explained in the variable of financial ratios by business ratios in Narmada Jhabua Gramin Bank. {Refer Table No. 6.11. The estimated regression model of data shows that there is a (strong effect) positive relation between financial ratios & business ratios. It also tells us that a change in business ratios (Narmada Jhabua Gramin bank) will enhance up to 9.553 financial ratios. The F-calculated value is 110.409, so, the overall model is significant under the condition that F- calculated > F- tabulated. In this case the data shows that the model is significant at p-value. The p-value from the result is less than 0.05. Thus, the null hypothesis is rejected and the alternative
hypothesis is accepted. The findings are statistically significant at the 5% level. The findings concluded that the business ratios is an important measure to determine the impact on financial ratios.

For the hypothesis no.11 stated **there is no significant impact of Business Ratios on Financial Ratios with regard to the Madhyanchal Gramin Bank.** To test the hypothesis correlation and regression were applied and it is concluded that there is a significant impact of business ratios on financial ratios in Madhyanchal Gramin Bank. The important values, generated by SPSS through running regression on the data collected are as follow: Coefficient of Correlation, R-.997, Coefficient of Determination, R2-.995, F-Test Value-1085.82 at P-value-.000 and lastly tolerance level is determined through Coefficient of independent variable, Beta-5.551 The calculated value of F is higher than tabulated value at 5% significant level, so null hypothesis is rejected and alternate hypothesis is accepted. The value of T-test is 32.953 **(Refer Table No. 6.19) is significant at 5% level of significance. F value is greater at 1 degree of freedom. Hence, the relationship between independent variable and dependent variable is .997 and 99.5% change is explained in the variable of financial ratios by business ratios in Madhyanchal Gramin Bank. **(Refer Table No. 6.17). The estimated regression model of data shows that there is a (strong effect) positive relation between financial ratios & business ratios. It also tells us that a change in business ratios (Madhyanchal Gramin bank) will enhance up to 5.551 financial ratios. The F-calculated value is 1085.82, so, the overall model is significant under the condition that F-calculated > F-tabulated. In this case the data shows that the model is significant at p-value. The p-value from the result is less than 0.05. Thus, the null hypothesis is rejected and the alternative hypothesis is accepted. The findings are statistically significant at the 5% level. The findings concluded that the business ratios is an important measure to determine the impact on financial ratios.

For the hypothesis no.12 stated **there is no significant impact of Business Ratios on Financial Ratios with regard to the RRBs Bank.** To test the hypothesis correlation and regression were applied and it is concluded that there is a significant impact of business ratios on financial ratios in RRBs Bank. The important values, generated by SPSS through running regression on the data collected are as follow: Coefficient of Correlation, R-.697, Coefficient of Determination, R2-.595, F-Test Value-1985.500 at P-value-.000 and lastly tolerance
level is determined through Coefficient of independent variable, Beta-3.551. The calculated value of F is higher than tabulated value at 5% significant level, so null hypothesis is rejected and alternate hypothesis is accepted. The value of T-test is 15.210 (Refer Table No. 6.23) is significant at 5% level of significance. F value is greater at 1 degree of freedom. Hence, the relationship between independent variable and dependent variable is .697 and 59.5% change is explained in the variable of financial ratios by business ratios in RRBs Bank. (Refer Table No. 6.21. The estimated regression model of data shows that there is a (strong effect) positive relation between financial ratios & business ratios. It also tells us that a change in business ratios (RRBs bank) will enhance up to 3.551 financial ratios. The F-calculated value is 1985.00, so, the overall model is significant under the condition that F- calculated > F- tabulated. In this case the data shows that the model is significant at p-value. The p-value from the result is less than 0.05. Thus, the null hypothesis is rejected and the alternative hypothesis is accepted. The findings are statistically significant at the 5% level. The findings concluded that the business ratios is an important measure to determine the impact on financial ratios.

For the hypothesis stated there is no significant impact of Operational Efficiency on Profitability of RRBs. To test the hypothesis correlation and regression were applied and it is concluded that there is a significant impact of operational efficiency on profitability in RRBs Bank. The important values, generated by SPSS through running regression on the data collected are as follow: Coefficient of Correlation, R-.830, Coefficient of Determination, R2-.768, F-Test Value-12.108 at P-value-.000 and lastly tolerance level is determined through Coefficient of independent variable, Beta-6.176. The calculated value of F is higher than tabulated value at 5% significant level, so null hypothesis is rejected and alternate hypothesis is accepted. The value of T-test is 3.630 (Refer Table No. 6.25) is significant at 5% level of significance. F value is greater at 1 degree of freedom. Hence, the relationship between independent variable and dependent variable is .830 and 76.8% change is explained in the variable of profitability by operational efficiency in RRBs Bank. (Refer Table No. 6.24. The estimated regression model of data shows that there is a (strong effect) positive relation between profitability and operational efficiency. It also tells us that a change in operational efficiency (RRBs bank) will enhance up to 6.176 profitability. The F-calculated value is 12.108, so, the overall model

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is significant under the condition that F- calculated > F- tabulated. In this case the data shows that the model is significant at p-value. The p-value from the result is less than 0.05. Thus, the null / Zero hypothesis is rejected and the alternative hypothesis is accepted. The findings are statistically significant at the 5% level. The findings concluded that the operational efficiency is an important measure to determine the impact on profitability.

Profitability is key to any business because it allows the business to expand and provide more and a broader range of services to a larger number of people. Efficiency can be defined as how well a company uses its assets and liabilities internally. In the environment of volatile interest rates, demanding customers, greater need for financial inclusion, competition for human capital, restrictions of lending in terms of own funds, it is absolutely essential that banks operate and utilise their resources efficiently. Hence, it is important to evaluate a bank's performance based on the efficiency with which a bank used its human, technological and financial resources. Therefore efficiency has been selected as a major criterion for measuring the performance of banks.

For the next hypothesis stated there is no significant relationship between Loan Disbursement & Net Profit in Narmada Jhabua Gramin Bank. To test the hypothesis correlation and regression were applied and it is concluded that there is a significant relationship between loan disbursement and net profit in Narmada Jhabua Gramin Bank. The important values, generated by SPSS through running regression on the data collected are as follow: Coefficient of Correlation, R-.712, Coefficient of Determination, R2-.514, F-Test Value-3.115 at P-value-.000 and lastly tolerance level is determined through Coefficient of independent variable, Beta-50.079. The calculated value of F is higher than tabulated value at 5% significant level, so null hypothesis is rejected and alternate hypothesis is accepted. The value of T-test is 2.072 (Refer Table No. 5.41 is significant at 5% level of significance. F value is greater at 1 degree of freedom. Hence, the relationship between independent variable and dependent variable is .717 and 51.4% change is explained in the variable of net profit by loan disbursement in Narmada Jhabua Gramin Bank Bank. (Refer Table No. 5.39. The estimated regression model of data shows that there is a (strong effect) positive relation between net profit and loan disbursement. It also tells us that a change in net profit (Narmada Jhabua Gramin
Bank) will enhance up to 50.079 loan disbursement. The F-calculated value is 3.115, so, the overall model is significant under the condition that F-calculated > F-tabulated. In this case the data shows that the model is significant at p-value. The p-value from the result is less than 0.05. Thus, the null hypothesis is rejected and the alternative hypothesis is accepted. The findings are statistically significant at the 5% level. The findings concluded that there is a strong association between loan disbursement and net profit.

For the next hypothesis stated **there is no significant relationship between Loan Disbursement & Net Profit in Madhyanchal Gramin Bank.** To test the hypothesis correlation and regression were applied and it is concluded that there is no significant relationship between loan disbursement and net profit in Madhyanchal Gramin Bank. The important values, generated by SPSS through running regression on the data collected are as follow: Coefficient of Correlation, R=.373, Coefficient of Determination, R^2=.064, F-Test Value=.137 at P-value=.008 and lastly tolerance level is determined through Coefficient of independent variable. The calculated value of F is lower than tabulated value at 5% significant level, so null hypothesis is rejected and alternate hypothesis is accepted. F value is lower than at 1 degree of freedom. Hence, the relationship between independent variable and dependent variable is .373 and 6.4% change is explained in the variable of net profit by loan disbursement in Madhyanchal Gramin Bank Bank that is negligible. **(Refer Table No. 5.44. The estimated regression model of data shows that there is no positive relation between net profit and loan disbursement. It also tells us that a change in net profit (Madhyanchal Gramin Bank) will enhance loan disbursement is negligible. The F-calculated value is .137, so, the overall model is significant under the condition that F-calculated < F-tabulated. In this case the data shows that the model is significant at p-value. The p-value from the result is more than 0.05. Thus, the null hypothesis is accepted and the alternative hypothesis is rejected. The findings are statistically significant at the 5% level. The findings concluded that there is no strong association between loan disbursement and net profit.

For the next hypothesis stated **there is no significant relationship between Loan Disbursement & Net Profit in Central M.P Gramin Bank.** To test the hypothesis correlation and regression were applied and it is concluded that there is a significant relationship between loan disbursement and net profit in Central M.P Gramin Bank. The
important values, generated by SPSS through running regression on the data collected are as follow: Coefficient of Correlation, $R = 0.972$, Coefficient of Determination, $R^2 = 0.946$, F-Test Value = 34.825 at P-value = 0.002 and lastly tolerance level is determined through Coefficient of independent variable. The calculated value of F is higher than tabulated value at 5% significant level, so null hypothesis is rejected and alternate hypothesis is accepted. F value is greater at 1 degree of freedom. Hence, the relationship between independent variable and dependent variable is 0.972 and 94.6% change is explained in the variable of net profit by loan disbursement in Central M.P Gramin Bank. (Refer Table No. 5.48. The estimated regression model of data shows that there is a (strong effect) positive relation between net profit and loan disbursement. It also tells us that a change in net profit (Central M.P Gramin Bank) will enhance loan disbursement. The F-calculated value is 34.825, so, the overall model is significant under the condition that F-calculated > F-tabulated. In this case the data shows that the model is significant at p-value. The p-value from the result is less than 0.05. Thus, the null hypothesis is rejected and the alternative hypothesis is accepted. The findings are statistically significant at the 5% level. The findings concluded that there is a strong association between loan disbursement and net profit.

For the last hypothesis stated there is no significant relationship between Loan Disbursement & Net Profit in RRBs. To test the hypothesis correlation and regression were applied and it is concluded that there is a significant relationship between loan disbursement and net profit in RRBs. The value of correlation is 0.772, it seems that there is a strong bond between these two variables. The p-value from the result is less than 0.05. Thus, the null hypothesis is rejected and the alternative hypothesis is accepted. The findings are statistically significant at the 5% level. The findings concluded that there is a strong association between loan disbursement and net profit in RRBs.

The findings concluded that the regional rural banks would be a 'model financial infrastructure' for rural development with patronage and encouragement given by planners in the field. Thus, the State sponsored, regionally based and rural oriented commercial banks have taken birth in rural India which popularly known as 'Regional Rural Banks'. These banks penetrate every corner of the country and have been extending a helping hand in the growth of the economy.
Despite the RRBs journeyed over three decades, they have achieved performance to the expected level quantitatively not turning towards sound financial management and productivity. Moreover the achieved performance is not uniform though they are working under the approach of same management. Effective performance is the success of every business. In order to achieve the effective and efficient performance, the RRBs have been taken up amalgamation process in the entire organization in the year 2005-06. Amalgamation of regional rural banks was considered to strengthen all the branches financially. In every line of business, the performance of each bank is appraised in financial perspectives and ranked them. In this study an attempt was made to discuss the financial performance of selected regional rural banks during post reorganization period. To measure the financial soundness of selected sample banks, the correlation and regression were adopted which are helpful in regress the variables and calculate the exact to many causes. These findings are significant in the sense that the risk adjustment helps to account for the uncertainty associated with bank’s capital levels. This acts a reliable measure of the nature and the composition of capital inherent in a bank’s capital structure.

It has been also found that regional rural banks offer all the general savings products such as the regular savings accounts, current accounts, and time deposits. Typically, the largest share of the deposit portfolio in a rural bank is held in the savings account. Interest rates offered on these accounts are typically very low, however, and often negative when inflation is taken into account. In 2008 in the sample banks, interest rates on savings deposits varied from 5 to 16 percent, while inflation ranged between 11 and 18 percent. Further, interest on savings accounts is often provided only when the savings balances are more than a specified amount. Unlike in most commercial banks, however, rural banks do not require high minimum balances to maintain a savings account and do not charge a high ledger fee.

For individual loans, the creditworthiness of the borrower is assessed on the basis of the individual’s character, the purpose of the loan, and the credit history of the individual with the bank. The level at which credit decisions are made also varies from bank to bank and has changed over time. In some banks, all credit decisions are made by credit committees in the head office or by the board.
7.3 SUMMARY OF THE MAIN FINDINGS OF THE STUDY

Factor analysis was undertaken to condense the 25 scale items into the five convenience dimensions based on the second objective of the study that is to identify and assess the factors effecting on Financial Management in Regional 1 Rural Banks in Madhya Pradesh.

These dimensions are:
- Recovery of Loan
- Loan Sanction & Disbursement
- Liberal Credit Policy
- Operational Efficiency
- Employees Knowledge

The above mentioned factors are important in examining the financial management aspects. Above all, the bank's performance depends upon these mechanisms. For this study, the period from 2011-12 to 2014-15 as on March 31 (Four Years) have been selected. The another result has dealt with the performance of regional rural banks' performance and the growth of capital adequacy.

Because of the association of capital with bank soundness, one of the main tools of supervisors is the periodic evaluation of the adequacy of bank capital. The capital adequacy ratio is developed to ensure that banks can absorb a reasonable level of losses occurred due to operational losses and determine the capacity of the bank in meeting the losses. The higher the ratio, the more will be the protection of investors. The banks are required to maintain the capital adequacy ratio (CAR) as specified by RBI from time to time.

The following parameters have been taken as independent variables for measuring the regional rural banks’ performance: Loan Disbursement, Deposits, Recovery, profitability, Growth and on the other hand capital adequacy has been taken as dependent variable. For this study, all the three banks' Central Madhya Pradesh Gramin Bank, Madhyanchal Gramin Bank, and Narmada Jhabua Gramin Bank were selected and found that in Narmada Jhabua Gramin Bank, all the parameters of performance the increase in % is increasing year wise except in the case of loan disbursement in 2013-14 there was slightly decrease from 91.46% in 2012-13 to 88.07%, in the same way with the case of profitability and recovery there was changes in percentage in 2012-13 and 2013-14 respectively.
In the capital adequacy it is clear from the data that in 2011-12 there was 12.68% and in 2014-15 it goes to 17.65%. It means that changes in increasing are reflected in these four years analysis and it is concluded that banks' performance is satisfactory.

To test the hypothesis that there is no significant relationship between Regional Rural Bank's Performance (Narmada Jhabua Gramin Bank) and Capital Adequacy, correlation and regression were applied and it is concluded that CA has positive relationship with Bank's Performance.

The calculated value of F is higher than tabulated value at 5% significant level, so null hypothesis is rejected and alternate hypothesis is accepted. The value of T-test is 2.521 is significant at 5% level of significance. F value is greater at 1 degree of freedom. Hence, the relationship between independent variable and dependent variable is highly significant. The estimated regression model of data shows that there is a (strong effect) positive relation between Bank's Performance and CA.

As regards the parameters of Madhyanchal Banks' performance, the increase in % is increasing year wise except in the case of growth in 2013-14 there was decrease from 17.23% in 2012-13 to 12.86%, in the same way with the case of profitability and recovery there was changes in percentage in 2013-14. In the capital adequacy it is clear from the data that in 2011-12 there was 12.68% and in 2014-15 it goes to 17.65% but in 2013-14 it was declined from 11.53% to 11.18%. But overall it is concluded that changes in increasing the performance during these four years analysis is satisfactory.

To test the hypothesis that there is no significant relationship between Regional Rural Bank's Performance (Madhyanchal Gramin Bank) and Capital Adequacy, correlation and regression were applied and it is concluded that CA has positive relationship with Madhyanchal Gramin Bank's Performance. The calculated value of F is higher than tabulated value at 5% significant level, so null hypothesis is rejected and alternate hypothesis is accepted. Hence, the relationship between independent variable and dependent variable is highly significant. The estimated regression model of data shows that there is a (strong effect) positive relation between Madhyanchal Bank's Performance and CA.
The findings of study is concluded that in Central M.P Banks' performance, the increase in % is increasing year wise in all the parameters is reflected such as; loan disbursement, growth, deposits, profitability, recovery and capital adequacy.

In the loan disbursement, it has been reflected that the percentage is 59.12 in 2011-12 and goes to 90.31 in 2014-15, in the variable of growth, it is clear that the percentage is 7.08 in 2011-12 and it goes to 18.5 in 2014-15, in deposits the percentage is 41.01 in 2011-12 and it goes to 61.71 in 2014-15, in the case of profitability the percentage is 69.1 and again it goes to 88.68% and in the recovery the percentage is 58.26 and it goes to 72.18% in 2014-15.

On the other hand the dependent variable of capital adequacy it is clear from the data that in 2011-12 there was 4.62% and in 2014-15 it goes to 9.58% . Overall it is concluded that changes in increasing the performance during these four years analysis is highly satisfactory.

The hypothesis *there is no significant relationship between Regional Rural Bank's Performance (Central M.P Gramin Bank) and Capital Adequacy* was tested and found that there is a significant association between Central M.P Gramin Banks' Performance and Capital Adequacy. Finally, the values of all the three banks are combined and the test was applied and found that there is a significant impact of capital adequacy on banks’ performance.

The next hypothesis *there is no balance between Inflow and Outflow of funds in Madhyanchal Gramin Bank* was tested and the result found that Pearson's correlation coefficient between balance of Inflow and Outflow of funds in Madhyanchal Gramin Bank is 0.785 which is significant since the significant value (p-value) 0.000 is less than 0.05. Therefore, it is concluded that there is significant association between balance of Inflow and Outflow of funds in Madhyanchal Gramin Bank.

The another hypothesis which is based on inflow and outflow funds in Central M.P Gramin Bank and the findings revealed that there is significant association between balance of Inflow and Outflow of funds in Central M.P Gramin Bank for the four years.
In the same way another bank Narmada Jhabua Gramin Bank was selected and found that Pearson’s correlation coefficient between balance of Inflow and Outflow of funds in Narmada Jhabua Gramin Bank is 0.984 which is significant since the significant value (p-value) 0.001 is less than 0.05. Inflow and outflow of funds have been taken combined of these three banks and found that these banks have maintained the balance between inflow and outflow of funds.

The following hypotheses were based on the relationship between financial ratios and business ratios and tested. In financial ratios, financial return, financial margin, operating profit, miscellaneous income and net margin and on the other hand in the business ratios, interest income, non-interest income, operation profit, ROA, business (deposits + advances) and profit per employee were studied and examined the relationship between these two variables.

In Central M.P Gramin Bank, financial return was increased from 8.69% in 2011-12 to 8.78% in 2014-15, but in other financial ratios there were some changes occurred. In the same way, in business ratios, interest income was increased from 8.22% to 8.78% in 2014-15. In business deposits+ advances ₹ 429.00 (Crores) was increased upto 536.32 (₹ In crores) n 2014-15. Profit per employee is also increased from .19% to .55% in 2014-15.

The financial ratios in Narmada Jhabua Gramin bank have been found that miscellaneous incomes is increased from 0.51% to 0.71%, in the same way net margin is increased from 1.28% to 1.82% from 2011-12 to 2014-15. Likely in the business ratios ROA in 2011-12 was 0.98% and it was increased to1.87% in 2014-15 and also profit per employee is 2.92% in 2011-12 and increased to 7.51% in 2014-15. From the business ratios, it is argued that deposits and advances were 428.11 in crores increased to 566.56 crores in 2014-15.

It is evident from the data of Madhyanchal Gramin Bank, that in all the parameters there were some ups and downs observed. The data was fluctuated due to some rules and regulations. As regards as business ratios are concerned, only in the deposits and advances ₹ 359 crores are increased to 478.17 crores in 2014-15 but in other ratios such as; interest income, non-interest income, ROA and profit per employee are increased and simultaneously decreased.
To measure the impact of business ratios on financial ratios, correlation and regression were applied and tested on the following hypotheses.

To test the hypothesis that there is no significant impact of Business Ratios on Financial Ratios with regard to the Central M.P Gramin Bank, Narmada Gramin Bank and Madhyanchal Gramin Bank.

The findings concluded that Pearson’s correlation coefficient between Financial Ratios & Business Ratios in Central M.P Gramin Banks is 0.877, .974 and .997 which is significant since the significant value (p-value) 0.000 is less than 0.05.

The hypothesis is related with there is no significant impact of Operational Efficiency on Profitability of RRBs and found that the coefficient of determination R² is 0.702; therefore, 70.2% of the variation in Profitability is explained by Operational Efficiency.

It has been reflected from the data on loan disbursement and net profit in Narmada Jhabua Gramin Bank that loan disbursement in 2011-12 was 90% and increased upto 92.40% in 2014-15 and in the same way the net profit was also increased. In 2011-12 the net profit was 94.6% in 2014-15.

In Madhyanchal Bank, loan disbursement was 68.60% in 2011-12 and increased upto 92.07% in 2014-15 and also the net profit was 23.84% in 2011-12 and increased upto 39.36% in 2014-15. But comparatively it was low in ratio from other two banks.

In the Central M.P bank, the loan disbursement was 59.12% in 2011-12 & 90.31 in 2014-15 and also the net profit 69.01% in 2011-12 and increased upto 88.68% in 2014-15. This change net profit is highly appreciated.