Chapter 2

REVIEW OF LITERATURE

A large volume of literature is available on various aspects related to banks in India. Studies were made on Public sector banks, Private sector banks and also on Regional Rural Banks in India regarding their performance, service quality, customer satisfaction, employee satisfaction etc. Since the inception of the RRBs in 1975, the RRBs and the various aspects of their performance have attracted the attention of academicians, researchers and policy makers from time to time in the country. Though studies on the performance of RRBs in Kerala are few, a good number of studies have been done in other states of India. A brief review of relevant literature is done below.

Syed Ibrahim (2010)\(^1\) in his paper made an attempt to investigate whether the Merger/Amalgamation of Regional Rural Banks in India, undertaken in 2005-06 has helped to improve their performance. The study is diagnostic and exploratory in nature and makes use of secondary data relating to key performance indicators such as number of banks and branches, capital composition, deposits, loans and trends of investments. The study found that performance of rural banks in India has significantly improved after amalgamation process which was initiated by the Government of India.

Selvakumar (2010)\(^2\) in his paper attempted to study the performance of Regional Rural Banks in Tamil Nadu, in comparison with the RRBs at the all India level. He made a comparative study of deposits, loans, income, expenditure and profitability of RRBs in India and RRBs in Tamil Nadu. Statistical tools like Mann-Whitney U-test, Kruskal-Wallis Test, Mann-whitney Wilcoxon Test etc have been used to make a comparison of growth of these elements. The study revealed that there is a significant difference in growth rates of advances to service sector and advances to priority sector by
RRBs in India and RRBs in Tamil Nadu. He states that this was due to the better performance of RRBs in Tamil Nadu.

Makandar (2010)\(^3\) in his article has made an analysis of profitability and productivity of RRBs in India. He observed that the financial sector reforms have brought about significant improvements in the financial strength and the competitiveness of the Indian banking system. Further, these financial reforms have provided the necessary platform for the banking sector to operate on the basis of operational flexibility and functional autonomy, thereby enhancing efficiency, productivity and profitability.

Lalitha Chavadi (2010)\(^4\) made an attempt to study the recovery of loans under commercial banks. In this study the scholar analyses the recovery performance of the banks in absolute and relative terms. Further the recovery performance of agriculture, small scale industry, and service sector is analysed separately. It was found that during the period 2001-2008 the recovery percentage was only 62 percent.

Priyadarsini (2010)\(^5\) has analysed the challenges of private sector banks in India. She observed that major macro-economic challenges before private sector banks are slowdown of reforms/liberalization, economic cycle, industry consolidation, regulatory challenges, higher level of competition, challenges of full foreign ownership etc. Further, internal risk management, financial inclusion and managing human capital will also act as a challenge in the future. She reveals that India has the second largest financially excluded house holds of about 135 million. There are only 30 crore bank accounts in the country which has a population of 120 crore. Therefore in the future the opportunity to be capitalized is unimaginable.

Sandip Ghosh Hazra (2010)\(^6\) has made an attempt to examine impact of service quality on customer satisfaction, loyalty and commitment in the Indian banking sector. The study analysed the strength of association among the independent variable namely customer satisfaction, customer loyalty and
customer commitment. The results showed that customers value four dimensions of perceived service quality, assurance-empathy, tangibles, security and reliability. It is suggested that banks should pay attention to these dimensions of service quality. They should pay more attention to dimensions of assurance-empathy in pursuit to increase loyalty to the company, willingness to pay and customer commitment.

Gayathri Balakrishnan’s (2010)\textsuperscript{7} paper examines the customers’ awareness towards the various services offered by both public sector banks and private sector banks in Erode district of Tamilnadu. The main objective of the study is to measure the level of awareness by considering aspects like minimum balance, E-banking, insurance products, mutual fund schemes, concessions to specific category of customers, customer meet and effectiveness of various awareness programmes. The scholar reveals that the banker should understand the expectations of customers and powerful strategies are to be implemented.

Laxmisha (2010)\textsuperscript{8} has made an attempt to study the employee motivation and job satisfaction in commercial banks by identifying some motivating and demotivating factors. On the basis of study, the scholar suggests that the bank management should take necessary steps to motivate the employees further. The steps include provision of infrastructural facilities, better working conditions, recognizing the merit or talent, timely implementation of pay commission recommendations, mechanization of the bank etc.

Bhavani and Sandhya (2009)\textsuperscript{9} focus their attention on the customers’ perceptions of banking services. The objective of the study is to analyse the perceptions of the customers about the traditional and modern services offered by SBI. The study is based on the data collected from 400 customers drawn from four branches of SBI in Andhra Pradesh through a self administered questionnaire. Chi-square test is used to see whether there is any association
between the types of the account holders and the satisfaction towards the services rendered by the bank. The analysis reveals that most of the customers are satisfied with the services offered.

Maheswari and Chockalingam (2009)\textsuperscript{10} in their article try to focus on the institutional support towards debt relief and rural credit granted by NABARD under refinance. They observed that NABARD has released more than 50 percent of the claims to co-operatives and Regional Rural Banks under the debt waiver and debt relief scheme, 2008 of Government of India. The total amount accorded up to the period of study was `17500 crore. The scholars conclude that NABARD encourages the organized agencies to lend for non-farming activities which would solve the problem of indebtedness and would pave the way for accumulation of rural wealth.

Harikumar and Susha (2009)\textsuperscript{11} in their article have discussed the need for talent management in banking sector. They observed that the acute problem faced by the banking sector recently is how to acquire, manage and retain talent within the organization so as to achieve the pre-determined target and provide maximum benefit to the customers globally. They suggest that the Human Resource department should evolve suitable policies and strategies to manage the talent in the long run and create an atmosphere conducive to young and talented employees.

Mukesh Mathur and Richa Guptha (2009)\textsuperscript{12} in their article throw light on the emergence of retail banking in India. Their paper is presented in two sections. The first section of the paper deals with the reasons for adopting retail banking in India. They are hectic competition, large population, majority of young people, change in Indian mentality, use of technology etc. The second part discusses the problem of retail banking in India. The problems are lack of efficient labour, higher NPA, less growth of economy, stiff competition, wrong estimation of customer expectations etc. They
conclude with some solutions for perfect development of retail banking in India.

Maheswari and Govindarajan (2009)\textsuperscript{13} in their article analyse the customer service in banks by comparing the desirable service quality and available service quality. On the basis of the gap between these two they conclude that with the involvement of both foreign and local banks the competition is at its peak. So only improving the product is not enough to be competitive in the market. Enhancing the service quality is also becoming very important. They opine that there are abundant opportunities present in the market. It needs only continuous upgrading and customer orientation to be able to avail of these opportunities.

Vasan Anand Kumar’s (2008)\textsuperscript{14} paper ‘Case for De-amalgamation of Regional Rural Banks’ puts forward an argument against the ongoing policy of amalgamation of RRBs. According to him amalgamation would be a death blow to the credit starved rural poor, most of whom are small and marginal farmers, agricultural and landless labourers and artisans. The paper calls for an immediate de-amalgamation of RRBs in the interest of the vast majority of the rural poor.

Sasi Rekha and Rani Ratna Prabha (2008)\textsuperscript{15} have made a study on agricultural credit in India in the pre and post reform period. The important objectives of the study were: 1) to examine the trends in the amount of institutional credit especially before and after economic reforms in India. 2) to examine the extent to which agricultural credit meet the needs of small and marginal farmers during this period. It was found that agricultural credit has slowed down in the nineties as compared to the eighties. Only five out of 27 public sector and two out of 29 private sector banks were able to meet the stipulated target.

Shyam Charan Acharya and Ashok Kumar Mohanty (2006)\textsuperscript{16} have made a study on operational analysis of Regional Rural Banks. The study is
based on the performance of RRBs in Orissa. It explains the purpose and logic of the already existing credit institutions, their strengths and weaknesses in achieving the goals for which they were set up, the changing environment which necessitates the setting up of new institutions called RRBs and an analysis of their operation at the all India level and in the state of Orissa. The study found that though the operation of RRBs in Orissa is satisfactory, the recovery performance needs improvement.

Jasvir S. Sura (2006)\textsuperscript{17} has made an attempt to analyse the efficacy of Regional Rural Banks in India. The objectives of this paper were to assess the growth pattern of RRBs, to examine the credit distribution and geographical distribution of RRBs. The period of analysis is 1975-2005. The scholar states that since the RRB is supposed to be a bank for poor people, its presence in all the states of the country especially in under developed states can make things better. He suggests that the Government should spread the branches of RRBs at the grass root level to provide such banking service to the needy rural people. He further states that it is the responsibility of the bank management and the sponsored bank to take corrective measures to raise the Credit –Deposit ratio of the bank that would make RRBs relevant in the rural India.

Amarender Reddy (2006)\textsuperscript{18} has made an attempt to examine total factor productivity technical and scale efficiency changes in regional rural banks by using data from 192 banks for the period 1996 to 2002. The study revealed that rural banks showed significant economies of scale in terms of assets and number of branches under each bank. Total factor productivity growth of rural banks was higher in profitability than in service provision during liberalisation. Banks located in economically developed as well as low banking density regions exhibited significantly higher productivity growth. Overall there was a convergence of efficiency of rural banks during the study period. The scholar states that the parent public sector banks have no
influence on the efficiency and productivity growth of rural banks. There is a justification for opening new banks in low banking density regions as efficiency and productivity growth of rural banks in these areas are high. There is also a case for mergers and enlargement of the asset base and the number of branches under each rural bank.

Subbiah and Selvakumar (2006)\textsuperscript{19} in their article “Consolidation, Future of Regional Rural Banks” has discussed the recommendation of merger of RRBs put forward by some study groups. They state that today it is difficult to think of a merger of RRBs with public sector commercial banks. According to them the RRBs is the best mode to serve the rural people. These could be consolidated without losing their basic objectives. There for it is suggested to amalgamate all RRBs in India and create a single super power rural bank covering all parts of the country. They also suggest that given the existing legal position, an RRB can be merged with another RRB.

Tasi Kaye (2006)\textsuperscript{20} attempts to make an appraisal of the credit needs of the rural people and the way RRB has been extending its service to meet the same. The study deals with the performance evaluation of Arunachal Pradesh Rural Bank (APRB) for the economic development of the state of Arunachal Pradesh. Further, an attempt has also been made to study the growth and performance of Scheduled Commercial Banks with special emphasis on Regional Rural Banks in India and North-East Region.

Abdul Hadi and Kanak Kanti Bagchi (2006)\textsuperscript{21} have made a detailed study on the performance of Regional Rural Banks in the West Bengal. The study makes a review of the progress of the RRBs in the state, in terms of expansion of branch, credit expansion and deposit mobilization. By analysing the relevant secondary data the study reveals that RRBs have been more or less successful in expanding outreach of institutional credit in rural areas.

Sathyanarayana, Reddi Ramu and Krishna Reddy (2006)\textsuperscript{22} analysed the role of Sree Anantha Grameena Bank (SAGB) in credit and rural
development. The study revealed that the RRBs like SAGB have been accelerating the pace of rural development through their credit provision, especially the small and marginal farmers and rural non-farm sectors, in a backward place like Ananthapur district. According to them the policy making body, keeping in view of the importance of the rural credit, needs to accord more powers to provide liberal finance in the rural areas and thus free the farming community from the clutches of private money lenders who exploit them.

Biswa Swarup Misra (2006)\textsuperscript{23} in his paper makes an attempt to examine whether the problems associated with the RRBs are specific to certain sponsor banks or states in which they operate. The explanatory analysis reveals that the problems of loss making RRBs are neither confined to some specific states nor to a group of sponsor banks. He states that the sponsor banks of the loss making RRBs could be given a time frame and if within this period, significant improvement is not made, the possibility of changing the sponsor banks as suggested by the Sardesai Committee may be a worth while option.

Pati A.P (2005)\textsuperscript{24} has made an attempt to study the performance of RRBs in the North East Region and Assam in the liberalized scenario. In this study the important aspects of working of RRBs in this region such as deposit mobilization, resource mobilization, resource deployment, profitability etc. had been critically examined. The study found that credit recovery and growing operating expenditure are the main stumbling blocks for their growth in profitability. He states that the future performance of RRBs will depend upon their ability to manage the transition to a technology oriented and customer driven entity.

Geetha Manmohan et al. (2005)\textsuperscript{25} has made an attempt to study the rural banking and micro finance in selected districts of Haryana. The study is made through a field survey among selected samples consisting of small and
marginal farmers, artisans, private employees, and self employed persons. It is observed that largely the people still depend on money lenders for meeting their small and frequent loan requirements for their survival and growth. These money lenders exploit them by charging high rate of interest with no value addition. The efforts of the banks, government, NGOs and other such institutes seem to be ineffective as a large number of people were found to be unaware of these programmes.

Jagan Mohan (2004) has made a study to assess the banking divide in the rural and semi urban areas of the country and to point out the candidate institutions for strengthening rural credit in the light of the challenges in an era of reforms. Analysing the trends in rural banking and credit in the country, he found that banking usage among the Indian house holds in general is 35.5% and rural house holds in particular is only 30.1%. It reflects the latent demand for general banking needs in rural as well as urban segments. He also noticed a continued migration of rural/semi-urban savings to urban/metro centers, thereby causing a bank divide. He recommends that a minimum benchmark CD Ratio of 60% should be envisaged in all districts of the country to obviate the regional or urban/rural imbalances. On the basis of the study he emphasizes the need for a strong and flexible structure for rural financial institutions like Regional Rural Banks in rural and semi-urban segments.

Ram Mohan (2004) has made an attempt to compare the three categories of banks – Public, Private and Foreign – using physical quantities of inputs and outputs and comparing the revenue maximization efficiency of banks during 1992-2000. The findings show that PSBs performed significantly better than private sector banks but not differently from foreign banks. The conclusion points to a convergence in performance between public and private sector banks in the post-reform era, using financial measures of performance.
Ramasastri, Achamma Samuuel and Gangadharan (2004)\textsuperscript{28} has made an attempt to compare the behavior of interest and non interest income of scheduled commercial banks in India for the period from 1997-2003. This paper further tries to examine whether non interest income has helped in stabilizing the total income of scheduled commercial banks in the country. The major findings of the study are: a) the average net interest income of SCBs declined during the period 1997-2003. b) The non interest income of all SCBs exhibited an increase over a period of 7 years. It was also observed that interest income was more stable than that of non-interest income and c) with regard to the question about whether non-interest income has helped in stabilizing the total income of banks, it was seen that with respect to the state bank group, foreign banks and old private sector banks, non-interest income helped to stabilize total operating income. However, in the case of nationilised bank and new private sector banks, it was seen that non-interest income has not helped in stabilizing their income appreciably.

Nagi Uddin (2003)\textsuperscript{29} has tried to study in depth the working and performance of RRBs in the state of Uttaranchal. The important aspects of the working of these banks such as branch expansion, deposit mobilization, profitability etc has been analysed in detail. He has also made an attempt to study the impact of RRBs on the rural economy of the state through some selected parameters and the internal and external constraints which were responsible for a chequered growth of the banks have been enumerated.

Sathy Swaroop Debasish (2003)\textsuperscript{30} has made an attempt to study the actual level of service quality in selected commercial banks and to make a comparative analysis of public, private and foreign banks. By adopting Rust and Olivers- three component model of service quality, he has selected nine commercial banks (three from each sector ) in Delhi and assessed the service quality of each bank through a well-designed questionnaire and also made a comparative analysis of public, private, and foreign banks. The study is based
on non probability, convenient sampling held during the period covering July 2001. The study has revealed that the foreign banks operating in Delhi provide better service quality, as compared to private and public sector banks. Citi Bank, ICICI Bank and SBI were perceived to deliver better services in their respective banking sectors. The point to worry about is that the public sector banks, which account for over three fourth of banking business in the country, have failed to adequately satisfy their customers.

Sainesh and Tanuja Sharma (2003)\textsuperscript{31} have made an attempt to explore the linkage between service quality and service climate in the retail commercial banks operating in India. Survey data was collected from the front line employees as well as customers of 48 branches belonging to 8 public sector, private, and foreign banks through a self administered questionnaire. The researchers in the study found that the employees’ perception of service quality of private and foreign banks was similar. The public sector banks score low on all dimensions of service quality. They further found that employees’ perception of service climate was related to customers’ perception of service quality. Finally, they came to the conclusion that the existence of a linkage between employees’ perception of service climate and customers’ perception of service quality signified the contribution of the service climate of a bank for delivering quality service to its customers.

Malhotra (2002)\textsuperscript{32} has made a study to examine the effect of location on the performance of Regional Rural Banks. Considering 22 different parameters that impact on the functioning of RRBs for the year 2000, he asserts that geographical location of RRBs is not the limiting factor for their performance. He further asserts that ‘the specific nourishment which each RRB receives from its sponsor bank is cardinal to its performance’. In other words the umbilical cord had its effect on the performance of RRBs. The limitation of the study is that the financial health of the sponsor bank was not considered directly to infer about the umbilical cord hypothesis.
Ramola (2002)\textsuperscript{33} in a study on Role of Regional Rural Banks in the Reconstruction of Uttaranchal state revealed that RRBs have made significant progress in extending services in rural sector. Although, banks have made several innovations in the field of rural lending, due to lack of rural consultancy cell most of the rural masses are not aware of these innovations.

D.’souza (2002)\textsuperscript{34} in his study has evaluated the performance of public sector, private sector and foreign banks during the period 1991-2000. The efficiency of the banking system was measured in terms of spread /working funds ratio and turn over/employee Ratio. With reference to the spread working capital ratio, the efficiency of the commercial banks as a whole has declined in the post-reform period. The public sector banks have been responsible for this decline in efficiency, as the efficiency of the private and foreign banks has improved over the course of 1990s. Though the turnover/employee ratio has increased in the public sector banks, the turnover per employee in private and foreign banks doubled relative to the ratio for public sector banks during this decade. However analysis revealed that the profitability of the public sector banks in the late nineties improved relatively to that of private and foreign banks.

Ram Mohan (2002)\textsuperscript{35} has made an attempt to evaluate the performance of the PSBs since deregulation in absolute and in relative terms and attempts to understand the factors underlying their improved performance. It was observed that efficiency of the banking system as a whole measured by declining spreads has improved. The performance of public sector banks has improved both in absolute and relative terms. The scholar in this paper strongly felt that deregulation in the banking sector is expected to help to widen credit market, enhance saving mobilization and stimulate competition. But there is a need to prepare the banking industry to face the consequence of liberalization.
Mathur’s (2002) paper examines the arguments usually extended to build a case for privatization of public sector banks in India. An examination of the main arguments usually extended to build a case for privatization of public sector banks (PSBs) in India reveals that the arguments are based on a) perceptions rather than factual analysis, b) the use of partial information, c) evidence on international experience which is not unambiguous. Broadly, four main arguments are made by the proponents of privatization of PSBs in India. a) Frequent recapitalization of state owned banks is a huge burden on the government budget. b) State ownership of banks reduces competition and thus breeds inefficiency, c) There is no evidence that state ownership lowers the probability of banking crisis. d) Private and foreign banks stimulate efficiency, innovation and economic growth. An examination of these arguments reveals that the case for privatization of PSBs in India is not strong enough at least on the grounds usually proposed by the advocates of privatization. Private sector banking would have a larger probability of crisis if the supporting legal and regulatory framework were not sound enough to insulate the systems from extraneous pressures. It may, therefore, be safe to maintain the public sectors of the banks.

Das and Udhay Kumar (2002) have made a study which focuses on the critical evaluation of the lead bank scheme in the light of banking sector reforms. They observed that high level of NPAs, large number of unremunerative branches, low productivity, overstaff and archaic methods of operations have affected the profitability of public sector banks. The study reveals that the whole banking sector in India is to be revolutionised to cope with the changing dimensions of the satellite one world. Further, they felt that the backward areas should be given more fund investment in priority sectors and more and more people should be brought under its coverage and the procedures of extending credit should be simplified and there should be least hassle cost.
Nagarajan (2002)\textsuperscript{38} focused his attention on other income of the banks and analysed the trend from 1993-94 onwards in a wider perspective. He emphasized in his article that other income of the banks has been receiving focused attention mainly for two reasons. First, banks are being urged to increase this source of income; second, there was a spurt in other income of banks during 2001-02. The main conclusions of this study are i) Since 1993-94, banks other income has been increasing at a faster pace compared with interest earnings. ii) Component-wise, income from commission, exchange and brokerage is most important. iii) Income from exchange transactions is also relatively steady, iv) Private sector banks have logged rapid rate of growth, which may be attributed to the entry of new banks, v) Foreign banks have retained their share, vi) The gain of private sector banks appears to be at the cost of the public sector banks and vii) There is unusual increase in 2001-02 in other income of banks.

Reta Rai (2002)\textsuperscript{39} analysed the issues and constraints facing the Indian banks in tackling the problems of attaining capital adequacy levels as per the international standards, more particularly in the context of the norms laid out in the new three pillar frame work put forward by the Basle Committee on banking supervision in 1999. This paper is divided in to two parts. The first part traces the history of capitalization of the PSBs in the post-nationalization period. The second part outlines the salient features of the new three pillar approach of capital adequacy along with the gist of recommendations of the working group constituted by the RBI to study and evaluate the implications there on. To strengthen the capital base of Indian PSBs, it is felt that multi-pronged approach would be required to meet the challenges of maintaining capital at adequate levels in the face of mounting risks in the banking sector. Governments grant apart, focus should be necessarily be on improving the internal operational efficiency of the banks so as to ultimately make their entry in to the capital market attractive to investors.
Subrahmani and Raghav (2001)\textsuperscript{40} analysed and compared the efficiency in six public sector banks, four private sector banks and three foreign banks for the year 1996-97. Operational efficiency is calculated in terms of total business and salary expenditure per employee. The analysis revealed that higher per employee salary level need not result in poor efficiency and business per employee coefficient was also calculated. Among the private sector banks, Indus Bank followed by Citi Bank registered highest and second highest operating profit per employee respectively. However, among the nationalised banks there existed wide variations in efficiency.

Ramappa (1999)\textsuperscript{41} analysed the performance of Regional Rural Banks in the Rayalaseema region of Andhra Pradesh. The progress of RRBs in respect of branch expansion, deposits, advances, income, expenditure, recovery performance and profit or loss was reviewed as well as the nature of mobilization of rural savings through RRBs and the causes of their profit or losses were probed. The study reveals that RRBs have achieved a remarkable progress in respect of branch expansion, credit deployment and geographical coverage. The expansion of banking had been mostly in neglected areas.

Puhazhendhi and Jayaraman (1999)\textsuperscript{42} analysed the performance and challenges before the bank with regard to rural credit delivery system in India. They states that development of the rural delivery system in the country has metamorphosed from monopoly of co-operatives to the induction of commercial banks and establishment of Regional Rural Banks for improving the outreach and ensuring the access to credit in rural areas. With the implementation of financial sector reforms, the accent is on ensuring the financial health of the system. They further reveal that innovations in rural credit delivery have an impact on agricultural production and reduction of poverty due to increased flow of credit. Accelerating the pace of capital formation in agriculture, infrastructure development with focus on transportation and marketing and ensuring credit discipline will enable the
rural sector to absorb more credit from institutional sources. According to them, the focus should be on strategies that are required for tackling issues such as sustainability and viability, operational efficiency, recovery performance, small farmer coverage and balanced sectoral development.

Sonara (1998) conducted a study on the evaluation and growth of RRBs in Gujarat in organizational setup of the banks and discussed also the financial resources mobilization, lending operation, credit-deposit ratio, and recovery performance of five selected RRBs after explaining various components of income and expenditure.

Kaushik (1996) in his article attempted to examine the role of RRBs in the poverty alleviation in Haryana by the functioning of two RRBs namely Haryana Kshetriya Grameena bank and Bhiwani and Gurgon grameena Bank. He found that low level of pre-credit income of the people, credit inadequacy, lack of co-operant factors of production, lack of skill and infrastructural facilities and marketing constraints are the main reasons which blocks the RRBs objectives to alleviate poverty, particularly in the study region. His findings revealed that income generation effect is significant in agricultural subsidiary activities such as animal husbandry, rural industry, small business etc.

Pariyan (1995) in his study has made an attempt to reveal the performance of RRBs in India in general and Shekhawati Gramin Bank in particular. The study indicated that the impact of the bank’s loan operations on the transformation of rural economy is modest but significant.

Srivasthava, Prakash and Lal (1994) in their article Role and Future of Regional Rural banks in supplying rural credit, have examined the economic viability of RRBs, rural credit provided by the RRBs and constraints responsible for losses. They found that out of 196 RRBs, 150 have
been continuously running at a loss. Till the end of March 1993, the cumulative figure of deficit was `930 crore.

Roy (1994)\textsuperscript{47} has made an attempt to evaluate the structure and functioning of the RRBs in West Bengal. The study after tracing the evolution of RRBs in India, attempted to test how far the objectives of RRBs have been achieved. He has reviewed the progress of RRBs in respect of capital, deposits, advances, income, expenditure, recovery performance and profit or loss.

Subrahmanyam, Ganti and Swami (1994)\textsuperscript{48} made an analysis on the performance of public sector banks. A comparative study was carried out to find out their performance during 1971 to 1973 and 1987 to 1987. Compound growth rate was calculated to analyze the increase in different banking indicators during this period. It was observed in this study that PSBs registered huge difference with respect to their overall performance as compared to the ideal one.

Kumar Raj (1993)\textsuperscript{49} carried out a study on the topic “Growth and Performance of RRBs in Haryana.” On the basis of the study of all the RRBs of Haryana, it was found that there was an enormous increase in deposits and outstanding advances. The researcher felt the need to increase the share capital and to ensure efficient use of distribution channels of finance to beneficiaries.

Krishnan C. (1992)\textsuperscript{50} in his study has found that the existence of RRBs is inevitable to meet the financial needs of the rural people. He states that the performance of an institution like RRB which is vested with the larger socio-economic goal should not be judged in terms of the conventional financial yardstick, but more correctly in terms of the socio-economic obligation which they are deemed to achieve. The study also found gross misutilisation of agricultural gold loan. It also noticed the problem of mounting over dues. It is
suggested that instead following the drastic measures like total waiving or writing off it is better to introduce rescheduling or re-phasing of the loans.

Dharma Rao (1991) has conducted a study on the impact of bank finance on the non-farm sector. The study is based on the bank finance on non-farm sector made by Visakha Grameena bank of Andhra Pradesh to the selected sectors like small business activity, transport and artisan activity etc. He found that the level of investment, income and consumption expenditure have shown a marked change but the level of increase in employment and assets position was relatively lower.

Velayudam and Sankaranarayanan (1990) examined the various aspects of RRBs like growth performance, problems of recovery, mounting losses, viability, management problems, etc. After examining these aspects they drew inferences to aid policy formulation in the light of the recommendations of various committees like Kelkar Working Group 1986, Khusro Committee 1987 etc. The study highlights the need for setting up of RRBs in under banked and un banked regions of the country. This means that RRBs are to function in remote rural areas which lack basic amenities like education, medical help, transport and communications.

Kalkandrikar (1990) has made a study to review the working of RRBs and to evaluate the contribution of these institutions for economic development of Karnataka state. The study used survey technique and case study method. While tracing the genesis and rationale of RRBs scheme, the features of the scheme including the objectives, functional aspects and its role in the rural credit market are documented in the study. The performance of RRBs in the state has been reviewed with quantified parameters like branch expansion, deposit accretion, credit deployment and profitability and their comparison with RRBs in the nation is also made.

Vyas (1990) in his study, after tracing the evolution of RRBs in India and progress of RRBs in Rajasthan, has attempted to study the managerial
efficiency of RRBs in the state. He made a detailed study on various aspects like staff training, problems of employees, delegation and decentralization, communication, management-employee relationship, etc which will effect the management of RRBs. He stresses the need for a humanitarian outlook and attitude towards employees by the officers.

Balishter et al. (1990) examined the performance of Jamuna Gramin Bank on the basis of the working results of the bank. The results indicated that there was a shift in the cropping pattern from low value to high value crops and an increase in yield and input patterns. The income level, investment and employment also showed a positive growth between pre and post loan periods in the small and marginal farmers as well as the land lords. The study highlighted the need for extension and strengthening of the network of Regional Rural Banks than the expansion of the branches of commercial banks.

Sangwan (1989) in his article has made an attempt to identify the factors affecting viability with special reference to RRBs in Uttar Pradesh. The study revealed that the profit making RRBs preferred to invest more of their funds (deposits) at calls market and short notice market rather than loans and advances to weaker sections which imply lack of profit incentive in rural lending.

Bapna (1989) studied the organization and working of RRBs in Rajasthan. The study revealed that the number of branches, deposits, and advances were found to be in an increasing trend. The credit deposit ratio of RRBs was higher than that of commercial banks. The study also disclosed that the recovery performance was better in non-agricultural sector as compared to agricultural sector.

Naidu and Naidu (1988) evaluated the impact of the Rayalaseema Grameen Bank on income, profits and employment of different categories of beneficiaries. They found that the income of beneficiaries has increased to a
great extent between pre-loan and past loan periods. The study also revealed a positive impact in mandays of employment for small and marginal farmers and landless labourers.

Parmer et al. (1988) assessed the performance of Mehsana Grameena Bank in Gujrat. They found that, the number of branches, deposits, advances per branch and advances per capita were found to be in an increasing trend. Agriculture received a lion’s share, especially crop loan, which was a good sign for the development of banking sector.

Financial Express (1986) published a study on RRBs’ viability, which was conducted by Agriculture Finance Corporation in 1986 on behalf of NABARD. The study revealed that viability of RRBs was essentially dependent upon the fund management strategy, margin between resources mobility and their deployment and on the control exercised on current and future costs with advances. The proportion of the establishment costs to total cost and expansion of branches were the critical factors, which affected their viability. The study further concluded that RRBs incurred losses due to defects in their systems and as such, there was need to rectify these and make them viable. The main suggestions of the study included improvement in infrastructure facilities and opening of branches by commercial banks in such areas where RRBs were already in operation. However the main limitation of the study was that its generalizations were based on the study of only two RRBs, namely, the Mala Prosha Gramin Dharwar (Karnataka) and The Rayala Seema Gramin Bank (Andhra Pradesh).

Khanderwal (1986) has made an attempt to focus on the problem area in personnel management in the RRBs. He also puts forward some suggestions for improvement of their personal policies.

Nagi Reddy and Rathnakumari (1986) in their study on credit repayment performance of borrowers of RRBs found that the repayment performance is better among small farmers and agricultural labourers. They
concluded that better yields, desire to get future loans, persuasion by bank officials etc. are the main reasons for prompt repayment

Raveendran (1986) made an attempt to study the problem of agricultural credit recovery of North Malabar Gramin Bank. It was found that there was a continuous increase in the quantum of financial assistance for agriculture and allied activities over the years. The study revealed that the bank was taking ample interest in the upliftment of scheduled caste and tribes and the finance has reduced their dependence on money lenders. But the recovery performance of the bank was not satisfactory.

Jagdish Prasad and Sunil Kumar (1985) in their study on role of Regional Rural Banks in Bihar found that the role of bank in covering the weaker sections of borrowers was satisfactory. The study also revealed that the bank had covered larger number of small and marginal farmers while lending to the farming community. Another important finding of the study was that loans given to the poor were generally accepted as a dole or relief programme which was pointed out as the main reason for poor repayment.

Laxmi Narayana (1984) in a study on RRBs in West Bengal, found that overdue loans together with the normal works of processing new credit proposals and enlisting new beneficiaries hardly allowed the bank officials any time for guiding the borrowers in adopting improved farming techniques and making a better use of credit. Again a linkage between credit marketing and other sources was practically non existent and as such the bank was unable to provide a package of economic services like marketing, storage, processing etc to the beneficiaries.

Sudhakar et al. (1984) evaluated the performance of Cauvery Grameena Bank of Mysore district in comparison with Primary Agricultural Co-operative Societies. It was found that the performance of Regional Rural Banks was better than PACS with respect to deposit mobilization, credit deployment, timely sanction of loan and adequacy of loan amount. The
Regional Rural Bank branches were earning profit whereas PACS were running on no loss no profit basis. This clearly shows the viability of RRBs and the study recommended to expand the branches in other areas.

Singh and Upadhaya (1984) in their study of loan recovery of Regional Rural Banks in Bihar found that inadequate arrangement for recovery of loan amount was the main reason for low recovery. They also found willful default on the part of the borrowers, crop failure, expenditure on marriage and other social functions in the family were considered the important factors for non repayment of loans.

Purushothaman Nair and Govindan Kutty (1981) have made an impact study South Malabar Gramin Bank (SMGB). The study found that the bank has stood the test of time and proved to be successful as rural savings mobilisar. The bank accounts grew by 10 percent of the aggregate deposit accretion in the rural and semi-urban centers of banking industry in its area. Regarding the deposit marketing strategies, the study states that whatever amount of deposits is mobilized by the bank is without campaigning for it. The study reveals that the bank has made a positive impact on the life of the poor mass in the rural areas. The researchers feel that with a little more effort and publicity the bank would be able to do much more in tapping savings from the public.

Patel and Shete (1980) of the National Institute of Bank Management made a valuable analysis of performance and prospects of RRBs. They also gave a comparative picture of performance in deposits, branch expansion and credit deployment of the cooperative banks, commercial banks and RRBs in a specified area. This was an eye opener for many researchers engaged in this field of rural credit.

Rao (1980) has made a study of the impact of programmes on target group based on the performance of Sree Visakh Gramin Bank (SVGB). He selected two branches of SVGB, namely, Kalingapatanam and Rajam to
represent irrigated and non irrigated area respectively. He found that the net return from credit is considerably higher except for business activity in the irrigated area than the non-irrigated area. The acquisition of asset has been found more in the categories where loans are provided in the form of asset itself. He concluded that efficient work culture of the bank worker is the main reason for such tremendous success.

C.D Wadha (1980)\textsuperscript{71} conducted a case study of two RRBs working in Haryana and Rajasthan. It found that RRBs inherited complicated procedural formalities from their sponsor banks and also the RRBs were not able to meet the targeted disbursement of credit set by the Government of India. The study attributed limited scope for direct lending by RRBs in the area of operation, absence of effective links with primary co-operative societies, and farmer co-operative societies and lack of adequate support from government for expanding business as the reasons for their poor performance. The main limitation of the study was that it came immediately after the setting up of RRBs.

Kurulkar and Dogirikar (1980)\textsuperscript{72} in a study on Marathwada Regional Rural Bank have found that major proportion of the beneficiaries belonged to landless category, followed by small and marginal farmers. The study revealed that there is a declining trend in the flow of credit to these weaker sections and recommended for reconsideration of loaning policies of the bank.

Dantawala (1978)\textsuperscript{73} explained that the urgent need is to make credit available to those who are in dire need of it, at the right time and with the simplest possible formalities. With the help of RRBs the weaker sections, viz., small and marginal farmers, landless labours or village artisans should be assisted decisively and directly, irrespectively of the cost involved rather than through piece-meal subsidies.

Datta (1977)\textsuperscript{74} in his paper has evaluated the workings of RRBs in the initial period of 1975 and 76 by analyzing the growth in the number of
Regional Rural Banks, branches, deposits, and advances. He has made an attempt to compare the different activities of Regional Rural Banks, primary co-operatives and commercial banks relating to interest, loan disbursement, operating cost etc. He found that the cost of funds is necessarily high for the RRBs, as they pay a higher rate of interest than the commercial banks. On the other hand, they lend at rates of interest equivalent to those charged by primary co-operatives.

Hazari (1976) through his article made an attempt to study the participation of Regional Rural Banks in rural development by introducing the concept of command area development. He states that for the integrated development of a region, it is necessary to channelise the amenities to the groups of farmers instead of solely depending on individual farmer.

The foregoing overview of the literature reveals that though various studies were done on the performance of Regional Rural Banks, the studies on Regional Rural banks in Kerala are scanty. No more studies were conducted on the comparative performance of the two Regional Rural Banks in Kerala. Further, the studies already made on the South Malabar Gramin Bank and on North Malabar Gramin Bank have not focused on the various aspects like customer satisfaction, employees’ job satisfaction and the service quality of these banks. Hence the relevance of the study.
Reference:


60. Financial Express April 24, 1986.


