Chapter 7

SUMMARY, FINDINGS AND SUGGESTIONS

The banking sector plays a crucial role in the economic development of a nation. An efficient and innovative banking system stimulates economic growth by mobilization of savings on a massive scale and efficiently allocating resources for productive purposes and also for consumption which is a driver of growth. The health of the economy is closely related to the soundness of its banking system. In a developing country like India, where propensity to consume is high and savings of people are meager, banks play a strategic role in attracting more deposits from the people and deploying these savings for lubricating various sectors of the economy. They have to supply credit to the promotional and developmental activities of the society, at the same time restricting credit for socially undesirable and economically less beneficial purposes. Availability of adequate and timely credit can go long way in improving productive capacity of the different sectors of the economy. Modern business is certainly impossible without them and no country can achieve industrial progress in the absence of a sound banking system.

The Regional Rural Banks were established with the main objective of providing credit and other facilities to the ‘Target Group’ comprising small and marginal farmers, agricultural labourers, artisans, small entrepreneurs, and self employed persons. One of the factors of the Rural-Urban divide is the limited availability of the financial services to the rural population. The introduction of RRBs by Government of India on the basis of the recommendations of Narasimham committee, in 1975 under the Regional Rural Banks Act 1975, was a bold attempt to ensure savings and credit opportunities for the rural population. These institutions established themselves as a strong alternative mechanism for rural credit delivery. The limitations of co-operative banks and those of even public sector banks have actually enhanced the relevance of RRBs.
The RRBs were set up with the intention of taking banking services to the villages to cover such categories of rural masses, which hitherto were considered unbankable by other financial institutions, specially the commercial banks. As per section 6 of the RRB Act 1976, the central government, sponsor bank and the state government have subscribed the share capital of the RRBs in the ratio of 50:35:15. The idea behind setting up of the RRBs was that the resources mobilized in rural areas would be used for lending in rural areas. Their business operations are restricted to a particular geographical jurisdiction. Between 1975 and 1987, 196 RRBs were established in India and no RRBs were set up there after except Pudvai Bharathiar Grama Bank established in 2008. As part of the reform measures taken by the Government of India and RBI to strengthen the RRBs in India, the state level sponsor-wise amalgamation of RRBs started in September. 2005 and as a result of this, the number of RRBs has come down to 82 as on 31st March 2010.

In Kerala, there are two RRBs namely South Malabar Gramin Bank (SMGB) and North Malabar Gramin Bank (NMGB). They have been functioning in Kerala during the last 35 years providing banking services to the people of Kerala, especially Malabar area. A large number of branches of these RRBs were opened in the hitherto unbanked areas providing services to the interior and far flung areas of the state.

In this context, a study evaluating the performance of these banks merits consideration. It may also be borne in mind that, though so many studies are carried out on the performance of Regional Rural Banks in other states, the studies on RRBs in Kerala are scanty, especially in the post reform period. Further, no studies were made so far on the comparative performance of these two RRBs in Kerala. The present study attempts to analyse the performance of the two RRBs in Kerala on the basis of deposit mobilization, lending,
profitability, Credit-Deposit ratio, recovery of loans, job satisfaction of employees, and customer satisfaction.

The specific objectives set for the study are:-

1. To study the significance of a specialized bank in rural area called Regional Rural Bank to provide banking service.

2. To study the performance of the Regional Rural Banks in Kerala on the basis of
   (i) Deposits
   (ii) Lending
   (iii) Profitability
   (iv) Recovery and overdue
   (v) Customer service and
   (vi) Job satisfaction of employees.

3. To study the comparative performance of South Malabar Gramin Bank (SMGB) and North Malabar Gramin Bank (NMGB)

4. To study the flow institutional credit to agricultural and non-agricultural sector by SMGB and NMGB.

5. To study the impact of liberalization and banking reforms on the performance of RRBs in India with its prime motive of establishment.

6. To study the impact of establishment of RRBs on the quality of life of the rural folk.

7. To provide suggestions and recommendations on the basis of analysis.

The Design and Methodology of the Study

The study has been made as an analytical one based on primary and secondary data and is made in two parts. In the first stage the secondary data were collected from the annual reports of the two RRBs in Kerala, publications of Reserve Bank of India, NABARD, State Level Bankers Committee Reports
etc. In addition to this, necessary literature and data were collected from the published and unpublished Ph-D thesis on Regional Rural Banks. Further, data were also compiled from the accounts of RRBs available at the head office of the two RRBs in Kerala. Constructive comments made in the research articles have paved the way for acquiring reasonably good knowledge on the topic.

In the second stage, primary data were collected from the employees and customers of the bank to study the level of job satisfaction of the employees and customer satisfaction in the services of the bank. These respondents were personally interviewed with the help of structured questionnaires. Besides, relevant information was collected through discussion with managers and officials of the banks at the head office and branches.

For the collection of samples for customer survey, multistage sampling technique was used. As more than seventy percent branches of the two RRBs are located in Malabar area, higher representation was given to this region by selecting two districts each, selected at random from this area. From the so selected four districts five bank branches were selected at random. In order to give representation to other parts of Kerala five branches of SMGB and NMGB were selected at random from the remaining districts. Thus 30 bank branches, twenty from Malabar area and ten from non Malabar area constitute the sample banks. Ten bank customers consisting of a heterogeneous group were selected at random from each of these selected branches. Thus the sample size constitutes three hundred persons from 30 branches selected at random from the operational area of the RRBs. Out of the sample selected, two third is males and one third is females.

For the collection of data from employees for studying the level their job satisfaction, 152 employees working all over the state were selected at random, which constitutes around 6 per cent of the total employees of these two RRBs in Kerala. Out of these 86 employees were from SMGB and 66 were from NMGB.
The collected data was analysed with the help of computer packages namely MS excel, SPSS etc. Various mathematical and statistical tools like averages, standard deviation, percentages, compound growth rate, ratio analysis, ANOVA, t-test, f-test, chi-square test, correlation analysis etc. were used for the analysis.

This chapter is divided into three sections. Section A contains the summary and findings of the study, section B contains the conclusions of the study and section C contains the recommendations from the study.

**Summary of Chapters**

The first chapter deals with the introduction, nature and importance of the study. The objectives of the study, hypotheses of the study, the methodology and the survey design are mentioned in this chapter.

The second chapter gives a brief review of the earlier studies on banking in general and RRBs in particular. Studies on customer satisfaction and employees’ job satisfaction in banks were also reviewed.

The third chapter explains the genesis and rationale of the Regional Rural Banks and also its growth and progress in India since its inception and during the last decade in particular. An analysis of the impact of globalization and liberalization policies and the resultant reform measures on the functioning of the RRBs in India have also been made in this chapter.

The fourth chapter analyses the performance of RRBs in Kerala which is presented in three sections. The first section evaluates the performance of South Malabar Gramin Bank and the second section deals with the performance evaluation of North Malabar Gramin Bank. The third section makes a comparative analysis of the performance of these two gramin banks in Kerala as well as RRBs in Kerala as a whole and RRBs at the all India level.

The fifth chapter analyses the employees’ job satisfaction based on the data collected from the employees of both the RRBs in Kerala.
The sixth chapter analyses customer satisfaction and the impact of Regional Rural Banks on the life of the rural folk. It also makes a comparative analysis of the service quality of the two RRBs in Kerala.

This final chapter is earmarked for ‘findings’, ‘conclusions’, and ‘suggestions’. This chapter is divided into three sections- Section ‘A’ to enlist the findings, section ‘B’ to reveal the conclusions emanated from such findings and section ‘C’ is set aside for giving suggestions to the banking and government authorities.

Section A

Findings of the study

1. The number of RRBs in India has significantly grown from five in 1975 to 196 in December 1986 and no RRBs were established thereafter except Pudvai Bharathiar Grama Bank established in 2008. As a result of the reform measures taken by Government of India and RBI, sponsor-wise amalgamation of RRBs at state level started in September 2005 and as a consequence of this, the number of RRBs had gradually reduced to 82 as on 31st March 2010.

2. As on 31st March 2010, RRBs in India cover 619 districts of the country with a network of 15444 branches.

3. Since the inception, both the RRBs in Kerala followed a rapid branch expansion policy which brought the number of branches of SMGB to 228 and that of NMGB to 178 as on 31st March 2010.

4. As per the latest classification of branches the split up of branches of SMGB are Rural two, Semi-urban-211 and Urban-15 and that of NMGB are Rural 46, Semi-urban 124 and Urban eight.

5. Majority of the branches of SMGB and NMGB are located in the semi-urban areas of the state. Fast urbanization has paved the way for this phenomenon.
However, compared to SMGB the number of rural branches is more in NMGB.

**Deposit Mobilisation**

1. The total deposit mobilised by SMGB has increased from Rs 445.62 crore in 2000-01 to Rs 2865.62 crore in 2009-10 with a compound growth rate of 22.97 per cent. In the case of NMGB it has increased from Rs 356.80 crore in 2000-01 to Rs 2078.72 crore in 2009-10 and registered a compound growth rate of 21.63 per cent. Further, the total deposit of RRBs in India has increased from Rs 37027 crore to 145035 crore during this period and recorded a compound growth rate of 16.38 per cent.

2. The amount of current deposit of SMGB has increased from Rs 29.87 crore in 2000-01 to Rs 126.12 crore in 2009-10. However, its share to total deposit has decreased from 6.70 per cent to 4.40 per cent during this period. In the case of NMGB the amount of current deposits has increased from Rs 14.35 crore in 2000-01 to Rs 80.49 crore in 2009-10, but its share to total deposit has declined from 4.02 per cent to 3.87 per cent during this period. RRBs in India have also shown an increasing trend in the amount of current deposit mobilized during the study period and has increased from Rs 3257 crore in 2004-05 to Rs 8065 crore in 2009-10 and its share to total deposits remained more than five per cent through out the period of study.

3. The savings deposit of SMGB has increased from Rs 159.50 crore in 2000-01 to Rs 924.38 crore in 2009-10 and in the case of NMGB it has increased from Rs 92.39 crore to Rs 546.22 crore during this period. The RRBs in India have also shown an increasing trend in the amount of savings deposit mobilization and has increased from Rs 30740 crore in 2004-05 to Rs 75906 crore in 2009-10.

4. The share of savings deposit to total deposits of SMGB has decreased from 35.79 per cent in 2000-01 to 32.26 per cent in 2009-10 and that of NMGB
has remained around 26 per cent for both these years. On the other hand the share of savings deposit to total deposit of RRBs in India has been more than 50 per cent throughout the period of study.

5. Fixed deposit constitutes the major portion of the total deposit of RRBs in Kerala. In the case of SMGB, it has increased from Rs 256.25 crore in 2000-01 to Rs 1815.12 crore in 2009-10 and that of NMGB has increased from Rs 250.05 crore to 1452.01 crore during this period. The amount of fixed deposit mobilized by RRBs in India has increased from Rs 28146 cores in 2004-05 to Rs 61064 crore in 2009-10.

6. The share of fixed deposit to total deposits of SMGB has increased from 57.50 per cent in 2000-01 to 63.34 per cent in 2009-10 and that of NMGB has shown a fluctuating trend and varied between 65.22 per cent in 2003-04 and 72.59 per cent in 2001-02. In the case of RRBs in India the share of fixed deposits to total deposits has decreased from 45.29 per cent in 2004-05 to 42.10 per cent in 2009-10.

7. The per branch deposits of SMGB has increased from Rs 2.35 crore in 2000-01 to 12.57 crore in 2009-10 and has registered a compound growth rate of 20.48 per cent. In the case NMGB, it has increased from Rs 2.72 crore in 2000-01 to 11.68 crore in 2009-10 with a compound growth rate of 17.58 per cent. RRBs in India also showed an increasing trend in the per branch deposit mobilized and this has increased from Rs 2.56 crore to Rs 9.39 crore during this period and has recorded a compound growth rate of 15.54 per cent.

8. The per employee deposits of SMGB has increased from 0.28 crore in 2000-01 to Rs 1.84 crore in 2009-10 and for NMGB it has increased from Rs 0.35 crore to Rs 1.86 crore during this period. In the case of RRBs in India it has increased from Rs 0.53 cores in 2000-01 to Rs 2.12 crore in 2009-10.
9. The compound growth rate of per employee deposit mobilized by SMGB is 23.27 per cent during the study period but for NMGB it is 20.37 per cent. In the case of RRBs in India it is only 16.65 per cent during this period.

10. The share of low cost deposit to total deposit of SMGB has decreased from 42.50 per cent in 2000-01 to 36.66 per cent in 2009-10. In the case of NMGB it varied between 28.67 per cent in 2002-03 and 34.78 per cent in 2003-04. But in the case of RRBs in India, it ranged between 54.71 per cent in 2004-05 and 61.22 per cent in 2006-07.

**Lending**

1. The loan disbursed by SMGB has increased from Rs 545.78 crore in 2000-01 to Rs 3086.74 crore in 2009-10 and that of NMGB has increased from Rs 352.50 crore to Rs 2071.82 crore during this period. In the case of RRBs in India, it has increased from Rs 8823 crore in 2000-01 to Rs 55728 crore in 2009-10.

2. SMGB has recorded a compound growth rate of 21.23 per cent in loan disbursement and that of NMGB is 21.75 per cent, whereas in the case of RRBs at the all India level it is 22.73 per cent.

3. The loans and advances outstanding in both the RRBs in Kerala have registered a steady growth rate during the period of study. In the case of SMGB, it has increased from Rs 532.13 cores in 2000-01 to Rs 2724.68 crore in 2009-10. For NMGB it has increased from Rs 437.68 crore to 2044.64 crore during this period. RRBs in India also showed an increasing trend in this respect and have increased from Rs 15794 crore to Rs 83562 crore during the study period.

4. The compound growth rate of loans and advances of SMGB is 19.90 per cent whereas that of NMGB is 18.68 per cent. RRBs in India registered a slightly higher rate of 20.33 per cent in this respect.
5. A sector-wise analysis of loans and advances outstanding reveals that, SMGB gives more importance to agricultural credit and NMGB gives more importance to non-agricultural credit.

6. The share of agricultural credit of SMGB varied between 49.24 per cent and 62.79 per cent during the study period. But in the case of NMGB it varied between 39.54 per cent and 53.40 per cent. In the case of RRBs in India, it ranged between 44.89 per cent and 56.61 per cent during the period of study.

7. SMGB registered a compound growth rate of 22.82 per cent in its agricultural lending where as NMGB registered only 17.47 per cent in this respect. At the same time RRBs in India recorded a compound growth rate of 22.80 per cent in agricultural lending during the period of study.

8. The share of non-agricultural credit to total credit of SMGB ranged between 37.21 per cent in 2009-10 and 50.76 per cent in 2001-02. For NMGB it varied between 46.60 per cent in 2002-03 and 60.46 per cent in 2008-09. In the case of RRBs in India it ranged between 43.39 per cent in 2006-07 and 55.11 per cent in 2003-04.

9. NMGB recorded a compound growth rate of 19.64 per cent in the non-agricultural sector lending where as that of SMGB is only 16.17 per cent. In the case of RRBs at the all India level it is 17.89 per cent.

10. There exists significant difference in the flow of agricultural and non-agricultural credit of SMGB and NMGB.

11. There is no significant difference in the ratio of agricultural credit to total credit of RRBs in Kerala and RRBs in India.

12. Industrial sector lending in SMGB recorded a compound growth rate of 12.93 per cent where as that of NMGB is only 10.81 per cent.

13. SMGB registered a compound growth rate of 17.24 per cent in tertiary sector lending whereas NMGB registered a compound growth rate of 19.50 per cent in this respect.
14. More than 85 per cent of the total loans outstanding of RRBs in Kerala are in the Priority sector which is more than that of RRBs in India throughout the period of study.

15. The loans and advances outstanding per branch of SMGB have increased from Rs 2.80 crore in 2000-01 to Rs 11.95 crore in 2009-10 and have registered a compound growth rate of 17.50 per cent. In the case of NMGB it has increased from Rs 3.34 crore in 2000-01 to Rs 11.49 crore in 2009-10 with a compound growth rate of 14.71 per cent. The per branch loans and advances outstanding of RRBs in India has increased from Rs 1.09 crore in 2000-01 to Rs 5.41 crore in 2009-10 and the compound growth rate recorded is 19.48 per cent.

16. The loans and advances per employee of SMGB has increased from Rs 0.33 crore in 2000-01 to Rs 1.75 crore in 2009-10 and that of NMGB has increased from Rs 0.43 crore in 2000-01 to Rs 1.83 crore in 2009-10. The compound growth rates recorded by SMGB and NMGB in this respect are 20.37 and 17.46 respectively. In the case of RRBs at the all India level the per employee lending has increased from Rs 0.22 crore in 2000-01 to Rs 1.22 crore in 2009-10 and registered a compound growth rate of 20.96 per cent.

Credit Deposit Ratio

1. In all the years of study the CD ratio of SMGB is more than 95 per cent and for NMGB except the years 2002-03, 2003-04, and 2008-09, it is more than 95 per cent. But in the case of RRBs at the all India level it ranged between 42.66 per cent in 2000-01 and 59.52 per cent in 2007-08.

2. The test of significance reveals that there is no significant difference in the CD ratio of two RRBs in Kerala.

3. The test also reveals that, there exists significant difference in the CD ratio of RRBs in Kerala and RRBs at the all India level.
Profitability and Viability

1. The total income of SMGB has increased from Rs 83.69 crore in 2000-01 to Rs 320.82 crore in 2009-10. In the case of NMGB, it has increased from Rs 75.91 crore to Rs 240.16 crore during this period. The total income of RRBs at the all India level has increased from Rs 4859.83 crore in 2000-01 to Rs 13835 crore in 2009-10.

2. Interest income constitutes the major item of income of RRBs in Kerala as well as RRBs at the all India level. It constitutes more than 90 per cent of total income of SMGB and NMGB for majority of the years under study.

3. The interest income of SMGB has recorded a compound growth rate of 16.13 per cent where as that of NMGB is only 13.77 per cent during the period of study.

4. The RRBs in Kerala on an average recorded a compound growth rate of 15.05 per cent in their interest income whereas at the national level it is only 12.11 per cent.

5. The share of non-interest income constitutes only a small portion of the total income of RRBs in Kerala as well as RRBs in India. In the case of SMGB it ranged between 4.57 per cent and 12.75 per cent during the period of study and in the case of NMGB it varied between 5.42 per cent and 17.49 per cent during the study period. In the case of RRBs at the all India level, it varied between 4.81 per cent in 2000-01 and 11.31 per cent in 2003-04.

6. Total expenditure of SMGB has increased from Rs 68.95 crore in 2000-01 to 296.80 crore in 2009-10 and that of NMGB has increased from 58.05 crore to 228.76 crore during this period.

7. SMGB has recorded a compound growth rate of 17.61 per cent in its total expenditure where as that of NMGB is 16.46 per cent. On the other hand the compound growth rate of expenditure of RRBs at the all India level is only 12.10 per cent.
8. Interest paid on deposits constitutes the major item of expenditure of SMGB and NMGB. Its share to total expenditure has increased from 58.13 per cent in 2000-01 to 71.87 per cent in 2009-10. In the case of NMGB the share of interest expenditure to total expenditure has increased from 65.96 per cent in 2000-01 to 71.72 per cent in 2008-09.

9. The interest expenditure of SMGB has increased at a compound growth rate of 20.41 per cent during the study period where as in the case of NMGB it has increased at a compound growth rate of 17.03 per cent.

10. In the case of RRBs in Kerala as whole, the interest expenditure has increased at a compound growth rate of 18.86 per cent where as in the case of RRBs at the national level it has increased only at a rate of 10.65 per cent during the period of study.

11. The ratio of total interest paid to total income of SMGB has increased from 47.89 per cent in 2000-01 to 66.49 per cent in 2009-10 where as that of NMGB has increased from 50.44 per cent to 65.67 per cent during this period.

12. Interest paid to total interest received ratio of SMGB shows that it has increased from 50.94 per cent in 2000-01 to 70.59 per cent in 2009-10 and that of NMGB has increased from 53.79 per cent to 69.40 per cent in 2009-10.

13. The operating expenditure of SMGB has increased at a compound growth rate of 12 per cent and that of NMGB is 13.15 per cent.

14. Operating expenses of RRBs in Kerala on an average has increased at a compound growth rate of 12.47 per cent as against 13.18 per cent in the case of RRBs at the all India level.

15. The share of operating expenditure to total expenditure of SMGB has decreased from 38.94 per cent in 2000-01 to 25.09 per cent in 2009-10 but in
the case of NMGB it has increased from 30.58 per cent in 2000-01 to 43.21 per cent in 2005-06. But it has decreased to 23.58 per cent in 2009-10.

16. Operating expenses as a percentage of total income of SMGB has decreased from 32.08 per cent in 2000-01 to 23.26 per cent in 2009-10. But in the case of NMGB it has increased from 23.38 per cent in 2000-01 to 39.17 per cent in 2005-06. However, it has decreased to 22.46 per cent in 2009-10.

17. The per branch operating expenditure of SMGB has increased from Rs 0.14 crore in 2000-01 to Rs 0.33 crore in 2009-10 with a compound growth rate of 10 per cent and that of NMGB has increased from Rs 0.14 cores in 2000-01 to Rs 0.30 crore in 2009-10 and registered a compound growth rate of only 8.84 per cent. On other hand in the case of RRBs at the all India level it has increased from Rs 0.08 crore in 2000-01 to 0.23 crore in 2009-10 and has recorded a compound growth rate of 12.45 per cent.

18. The establishment expenses per employee of SMGB have increased at a compound growth rate of 11.07 per cent and that of NMGB have increased at a compound growth rate of 10.88 per cent.

19. The spread as a percentage of total income of SMGB has decreased from 46.12 per cent in 2000-01 to 27.70 per cent in 2009-10. In the case of NMGB it has decreased from 43.34 per cent to 28.96 per cent in 2009-10.

20. The spread of SMGB recorded a compound growth rate of 9.71 per cent where as that of NMGB is 8.67 per cent.

21. The burden of SMGB recorded a compound growth rate of 11.76 per cent and that of NMGB is 16.21 per cent.

22. The net profit earned by SMGB as well as NMGB showed a fluctuating trend during the study period. In the case of SMGB it varied between Rs 11.93 crore in 2001-02 and Rs 39.77 crore in 2008-09. In the case of NMGB it ranged between Rs 4.20 crore in 2008-09 and Rs 17.85 crore in 2000-01.
23. SMGB has registered a compound growth rate of 5.57 per cent in their net profit where as NMGB recorded a negative growth rate of 4.85 per cent during the period of study. On other hand RRBs at the all India level recorded a compound growth rate of 13.54 per cent in their net profit.

24. The accumulated losses of RRBs at the all India level have decreased from Rs 2792.59 crore in 2000-01 to Rs 1813.03 cores in 2009-10.

25. The return on funds of both SMGB and NMGB has shown a decreasing trend over the years. In the case of SMGB, it has decreased from 11.30 per cent in 2000-01 to 7.34 per cent in 2009-10. Similarly in NMGB it has decreased from 11.65 per cent to 7.81 per cent during this period. RRBs in India have also showed a decreasing trend in the ratio of return on funds and this has decreased from 11.06 per cent to 7.43 per cent during the study period.

26. Cost of funds to working funds of SMGB has decreased from 5.76 per cent in 2000-01 to 4.04 per cent in 2004-05 and thereafter it showed an increasing trend and recorded the highest rate of 6.07 per cent in 2008-09. In the case of NMGB the ratio showed a fluctuating trend and varied between 4.17 per cent in 2005-06 and 6.67 per cent in 2001-02. In the year 2009-10 it was 5.42 per cent. On the other hand, cost of funds ratio of RRBs in India showed a decreasing trend up to 2006-07 and decreased from 7.09 per cent to 3.81 per cent during this period.

27. Cost of funds ratio of RRBs in Kerala is more than that of RRBs in India for the second half of the study period i.e. from 2005-06 to 2009-10.

28. Financial margin of both the RRBs in Kerala has shown a decreasing trend during the period of study. In the case of SMGB, it has decreased from 5.54 per cent in 2000-01 to 2.16 per cent in 2009-10 and for NMGB it had decreased from 5.38 per cent to 2.39 per cent during this period. On the other hand in the case of RRBs in India, it showed a steady rate of more than 3 per cent though out the period of study.

29. A comparative analysis of financial margin of RRBs in Kerala and RRBs in India shows that, the financial margin of RRBs in Kerala for the last four
years i.e. from 2006-07 to 2009-10 is less than that of RRBs at the national level.

30. Non Interest income ratio reveals that, compared to SMGB, NMGB has recorded better efficiency in mobilizing non interest income for most of the years under study.

31. Operating cost ratio of both the RRBs in Kerala has shown a decreasing trend over the years of study. In the case of SMGB it has decreased from 3.86 per cent in 2000-01 to 1.81 per cent in 2009-10. Similarly in NMGB, it has decreased from 2.91 per cent to 1.86 per cent during this period. In the case of RRBs in India it has decreased from 2.78 per cent in 2000-01 to 2.04 per cent in 2009-10.

32. A comparative analysis of operating cost ratio shows that, RRBs in Kerala has shown better operating efficiency during the second half of the study period.

33. The risk ratio of SMGB is less than that of NMGB for most of the years under study.

34. Except the years 2001-02 and 2002-03, the risk ratio of RRBs in Kerala is less than that of RRBs at the all India level.

35. Net margin of both the RRBs in Kerala has shown a decreasing trend over the years. In the case of SMGB, it has decreased from 2.12 per cent in 2000-01 to 0.58 per cent in 2009-10. For NMGB, it has shown a sharp decrease from 2.92 per cent in 2000-01 to 0.17 per cent in 2008-09 and it was 0.39 per cent in 2009-10.

36. The net margin of RRBs in Kerala as a whole has decreased from 2.49 per cent in 2000-01 to 0.50 per cent in 2009-10. On the other hand, in the case of RRBs at the all India level it has decreased from 1.44 per cent in 2000-01 to 0.64 per cent in 2006-07 and there after showed an increasing trend and recorded at 1.08 per cent in 2009-10.
37. The net margin of RRBs in India has improved a lot after the introduction of sponsor wise amalgamation of RRBs in 2005-06.

38. The coverage ratio of NMGB has decreased from 12.62 per cent in 2000-01 to 5.76 per cent in 2009-10. In the case of SMGB, even with a mixed trend, it has decreased from 7.64 per cent to 5.41 per cent during this period. But on the other hand the coverage ratio of RRBs at national level has increased from 1.74 per cent in 2000-01 to 6.08 per cent in 2008-09 and in 2009-10 it was 5.99 per cent.

39. At present, the coverage ratio of RRBs in Kerala is less than that of RRBs at the all India level.

**Recovery performance**

1. Both the RRBs in Kerala have shown better performance in recovery of their loans and advances. SMGB has maintained a steady recovery ratio of around 90 per cent throughout the period of study. On the other hand the recovery ratio of NMGB showed wide fluctuations and ranged between 75.89 per cent in 2002-03 and 87.98 per cent in 2000-01.

2. The test of significance reveals that there exists significant difference in the recovery ratio of two RRBs in Kerala.

3. The average recovery ratio of RRBs in Kerala is 87.13 per cent where as that of RRBs at the all India level is 77.10 per cent.

4. The test reveals that there exist significant difference in the recovery ratio of RRBs in Kerala and RRBs at the all India level.

5. The percentage of Non Performing Assets to total loans and advances outstanding of both the RRBs in Kerala has improved a lot during the period of study and for the last three years of study it is less than the prescribed standard limit of 3 per cent.
Job Satisfaction of Employees

1. The survey revealed that out of the total employees, from whom data has been collected, 74 per cent employees of SMGB are males and that of NMGB is 79 per cent.

2. Majority of the employees of SMGB and NMGB are on the verge of retirement and belongs to the age group of above 50 years.

3. Both SMGB and NMGB are blessed with experienced employees. As per the survey, 77.91 per cent of SMGB and 56.06 per cent of NMGB employees have work experience of over 20-30 years.

4. Majority of SMGB and NMGB employees are graduates. As per the survey 68.61 per cent of the respondents of SMGB and 71.21 per cent respondents of NMGB are graduates. Further, 16.28 per cent of SMGB and 18.18 per cent of NMGB employees are post graduates.

5. With regard to occupational level, 46.51 per cent respondents of SMGB and 42.42 per cent respondents of NMGB are clerks and 32.56 per cent of SMGB and 30.30 per cent of NMGB respondents are officers. In addition to this, 13.96 per cent of SMGB and 19.70 per cent of NMGB respondents are from managerial position.

6. Average score obtained for different environmental factors that affect the job satisfaction of employees is more than 65 per cent in all the cases. Maximum score obtained is in respect of occupational level of the employees with 84.80 per cent and the minimum score obtained is for the promotion prospects in organization with 65.60 per cent. All other environmental factors obtained an average score of more than 77 per cent.

7. Overall job satisfaction score obtained by the RRB employees in Kerala with respect to various environmental factors affecting job satisfaction is 80 per cent.
8. With regard to satisfaction with present position, around 90 per cent employees are satisfied, of which 35 per cent are highly satisfied.

9. Regarding the level of status enjoyed by the employees in the society with respect to their job, more than 50 per cent employees of both the banks are of the opinion that their job provides them high status in the society. Further, 12 per cent employees of NMGB perceive their job as having very high status but no employees in SMGB perceive their job like this.

10. With regard to occupational level of the job, the average satisfaction score obtained by SMGB is 16.78 with SD 1.99 and that of NMGB is 17.20 with SD 2.05.

11. With regard to perception of the job, majority of the employees consider their job as responsible one. In SMGB, 69.77 per cent employees are of this view and that of NMGB is 48.48 per cent.

12. In SMGB 75 per cent employees are satisfied with the training programmes in their organization of which 9.43 per cent are highly satisfied. In the case of NMGB it is 63 per cent and 5 per cent respectively.

13. The average satisfaction score obtained with respect to job content by SMGB is 19.79 with SD 2.88 and that of NMGB is 20.30 with SD 2.65.

14. As per the survey, 94 per cent employees of SMGB are satisfied with the work environment of which 20 per cent are highly satisfied. In NMGB 24 per cent employees are highly satisfied and 71 per cent employees are satisfied with the working conditions prevailing in their organization.

15. Regarding the grievance handling procedure in the organization, around 35 per cent employees of both the banks found the grievance redressal system as ineffective.

16. With regard to the satisfaction of employees in dealing with their customers 68 per cent employees of both the banks opined that they were satisfied and another 29 per cent were highly satisfied in this respect.
17. With respect to working conditions in the organization, SMGB has the average satisfaction score of 26.58 with SD 4.39 and that of NMGB is 27.77 with SD 3.26.

18. Majority of the employees are dissatisfied with the career growth opportunities in the organization. In SMGB, 33.72 per cent are dissatisfied and 5.81 per cent are highly dissatisfied with the existing promotion prospects in the organization. In NMGB it is 37.88 per cent 15.15 per cent respectively.

19. Majority of the employees are of the opinion that both seniority as well as performance should be the criteria for promotion to higher posts.

20. SMGB and NMGB obtained average satisfaction scores of 3.24 and 3.33 respectively with regard to the level of satisfaction of employees with the promotion prospects available in their organization.

21. With regard to workers participation in union activities, 15 per cent employees of SMGB and 5 per cent employees of NMGB are highly active and 22.09 per cent SMGB employees and 36.36 per cent NMGB employees are active in their trade union activities. In addition to this, 43.02 per cent SMGB employees and 31.82 per cent employees of NMGB are moderately active in trade union activities.

22. Majority of the employees of both the banks are of the opinion that, trade unions have a significant role in protecting the interest of the members.

23. With respect to the level of satisfaction of employees with the work group in the organization, the average satisfaction score obtained by SMGB is 20.53 with SD 2.57 and that of NMGB is 19.85 with SD 2.63.

24. More than 90 per cent employees of both the RRBs in Kerala are satisfied with their pay packages.

25. Regarding the additional benefits provided to the employees over and above their pay packages, employees of both the banks expressed a different view.
Forty eight per cent employees of SMGB expressed dissatisfaction with the present benefits provided to them. In NMGB it is only 29 per cent.

26. With regard to wages or salaries, the average satisfaction score obtained by SMGB and NMGB is around 25 with SD 2.42 and 2.61 respectively.

27. Regarding the superior subordinate relationship exist in the bank, 26 per cent employees of SMGB and 17 per cent employees of NMGB are highly satisfied. Further, 69 per cent employees of SMGB and 77 per cent employees of NMGB are satisfied with their relationship with superiors.

28. Regarding the supervision prevailing in the organization the average satisfaction score obtained by SMGB is 22.48 and that of NMGB is 23.65.

29. The test of significance reveals that there is no significant difference in the level of job satisfaction of employees of SMGB and NMGB.

30. The overall job satisfaction score obtained with respect various environmental factors affecting job satisfaction by SMGB is 134.85 and that of NMGB is 137.47.

31. Overall job satisfaction score obtained by male employees is 136.72 with SD 13.53 and that of female employees is 133.61 with 13.82.

32. Overall job satisfaction score obtained by the employees above 50 years is 137.83 and that of employees below 40 years is 135.89. Employees in between the age of 40 and 50 obtained an average overall satisfaction score of 133.53.

33. Employees having the educational qualification of SSLC have obtained the maximum satisfaction score of 146.80 and employees with post graduation have recorded the lowest score of 134.62.

34. The overall job satisfaction score obtained by married employees is 136.08 and that of unmarried employee is 133.83.
Eighty seven per cent employees of both the banks are of the opinion that liberalization has brought changes in the functioning of the bank. They noticed a shift in the basic objective of banking from providing service to the community to the profit generation by the bank.

**Debt Service and Customer Satisfaction**

1. The majority of RRBs customers are middle aged groups, the highest number of RRB customers are in the age group of 46-55 years.

2. The survey reveals that, out of the total respondents 31 per cent have an educational qualification of below SSLC and 29 per cent respondents have an educational qualification of SSLC.

3. With regard to occupation of respondents, 12 per cent are engaged in agriculture, 9 per cent are agricultural workers, 22 per cent are businessmen, 8 per cent are Government employees and 17 per cent are engaged in self employment.

4. With respect to the present income of the respondents, 24 per cent have an income of less than 30000 and 41 per cent have an income of more than 30000 but less than 60000.

5. Customers having an annual income of above 150000 are only 12 per cent.

6. Seventy one percent respondents of NMGB and 59 per cent respondents of SMGB have nuclear families and only 29 per cent respondents of SMGB and 41 per cent respondents of SMGB have joint families.

7. All most all the respondents have their own houses and only 1.67 per cent respondents are staying in rented houses.

8. Sixty four per cent respondents of SMGB and 60 per cent respondents of NMGB have concrete houses and the percentage of respondents having thatched houses is only 3.37 per cent in SMGB and 2.67 per cent in NMGB.
9. Majority of the customers of both the RRBs in Kerala have a very long period relationship with the bank.

10. It is further observed that 35 per cent respondents availed loans from the bank, 16.67 per cent are depositors of the bank and 48.33 per cent are both borrower as well as depositors.

11. Majority of the depositors have savings bank account with the bank.

12. Nearness of bank branch to the residence or the place of work is the major factor that motivated the depositors to deposit money in the bank.

13. Majority of the respondents have availed agricultural loans with or without the security of gold.

14. Fifty four per cent of the respondents who availed loans from RRBs in Kerala prefer their bank due to its nearness to the home and another 22 per cent borrowers are dealing with the bank because the branches are located near to their work place.

15. With regard to the level of satisfaction with the terms and conditions of the bank, 85 per cent customers of RRBs in Kerala are satisfied, of which 23.67 per cent are highly satisfied. In the case of SMGB 32.67 per cent customers are highly satisfied whereas that of NMGB it is 14.67 per cent. Further, 54 per cent customers of SMGB are satisfied with the terms and conditions of their bank in providing service and in the case of NMGB 68 per cent customers are satisfied in this respect.

16. The test reveals that, there is significant difference between customers of SMGB and NMGB with regard to their level of satisfaction with the terms and conditions of their bank.

17. Regarding delay in sanctioning loan, 36 per cent SMGB customers and 24 per cent NMGB customers experienced delay in getting loan.
18. Majority of the respondents attribute the delay made by the customers in submitting records and documents as the main reason for delay in sanctioning loan.

19. Twenty three per cent borrowers of SMGB are of the opinion that delay caused by bank officials is the main reason for delay in sanctioning the loan.

20. Forty one per cent customers of SMGB and 36 per cent customers of NMGB opined that the loan amount sanctioned to them was insufficient for their purpose.

21. To meet the insufficient amount of loan sanctioned, 67 per cent customers of SMGB and 45 per cent customers of NMGB who have not received adequate amount of loan to meet their requirement has used the assistance of friends and relatives.

22. It is important to note that 13 per cent customers of NMGB who have not received sufficient amount of loan has approached the money lenders to meet their insufficient amount. In the case of SMGB it is 4.17 per cent.

23. With regard to the utilization of loan amount, 74 per cent borrowers fully utilized the loan amount for the purpose for which it was sanctioned but in NMGB it is only 68.18 per cent.

24. Twenty one per cent customers of NMGB and 16 per cent customers of SMGB utilized the entire amount of loan for the purposes other than for which it was sanctioned.

25. Compared to SMGB the instance of misutilisation is more in NMGB.

26. Extent of misutilisation is greater in the case of agricultural gold loans. Seventy one per cent customers of NMGB and 63.16 per cent customers of SMGB, who have utilized the loan amount for purposes other than the purpose for which the loan was sanctioned had taken agricultural gold loan from the bank.
27. Thirty one per cent customers of both the banks are of the opinion that the rate of interest charged by the bank is high. In addition to this, 14.41 per cent customers of SMGB and 7.58 per cent customers of NMGB feel that the interest rate charged by the bank is very high.

28. The test of significance reveals that there is no significant difference between the perception of SMGB and NMGB customers regarding the rate of interest charged by the bank.

29. Seventy nine per cent customers of both SMGB and NMGB find the repayment period of their loan as convenient. In addition to this seven per cent customers are of the opinion that it is highly convenient to them.

30. Sixty four per cent customers of both SMGB and NMGB are regular in repaying the loans taken by them.

31. Low income of the borrowers is the main reason for irregularity in repayment of loan by the defaulters.

32. Around 20 per cent defaulters in repaying loan expect a future write off in the loan amount taken by them.

33. With regard to the income generation and repayment of loan, 42 per cent borrowal customers of RRBs in Kerala have repaid the loan from the additional income generated from the activity for which the loan was sanctioned. Others have used their savings, proceeds from fresh loan, borrowals from friends and relatives etc. for repaying the loan amount.

34. The study reveals that there is no significant difference between customers of SMGB and NMGB with regard to repayment of loan out of the income generated from the activity for which the loan was sanctioned.

**Impact of RRBs on Rural People**

1. Forty nine percent of the customers who availed loans from the RRBs have availed financial assistance from money lenders in the past.
2. Among the forty nine per cent of the borrowal customers who have availed loans from the money lenders in the past, 14.47 per cent still have the habit of approaching money lenders for fulfilling their credit needs.

3. Sixty five per cent of borrowers of RRBs in Kerala who availed loans from money lenders in the past and not availing loans at present revealed that, availability of loans from the RRB is the main reason why they discontinued their habit of approaching the money lenders for financial assistance.

4. Sixty nine per cent borrowal customers of NMGB and 58 per cent borrowal customers of SMGB are of the opinion that the bank finance has helped them in eliminating their dependency on money lenders.

5. Eighty six per cent respondents are of the opinion that the services of RRBs have brought socio-economic upliftment to them.

6. It is further observed that 95 per cent respondents have the opinion that the services of RRBs in Kerala have brought about socio-economic upliftment to the locality of the bank branches.

7. Majority of the respondents have the opinion that the services of the RRBs in Kerala have helped in improving their income.

Service Quality

1. With respect to the reliability dimension of service quality the mean satisfaction score obtained by SMGB is 24.66 with SD 3.65 and that of NMGB is 27.74 with SD 2.84.

2. Sixty five per cent customers of RRBs in Kerala perceive the service quality of their bank as satisfactory and 16.67 per cent perceive it as high quality.

3. Regarding the responsiveness dimension of service quality, the mean satisfaction score obtained by NMGB is 34.46 with SD 3.54 whereas that of SMGB is 30.17 with SD 4.43.
4. Twenty five per cent customers of NMGB perceive the responsiveness dimension of their bank as having high quality and another 72.67 per cent as satisfactory quality. But on the other hand, only 4.67 per cent customers of SMGB rank their bank’s responsiveness dimension as high quality and 58 per cent as satisfactory quality.

5. With regard to the assurance dimension of service quality, the mean satisfaction score of SMGB is 13.61 with SD 2.30 and that of NMGB is 15.95 with SD 1.82.

6. Twenty four per cent customers of NMGB perceive the assurance dimension of their bank as high quality and another 75 per cent perceive it as satisfactory quality. In the case of SMGB, only two per cent customers perceive it as high quality and 64 per cent as satisfactory quality.

7. The mean satisfaction score obtained with respect to empathy dimension of service quality by SMGB is 13.09 and that of NMGB is 14.91.

8. Thirteen per cent customers of NMGB perceive the empathy dimension of service quality of their bank as high and another 80.67 per cent as satisfactory. In the case of SMGB only 4.67 per cent customers view it as high quality and 68 per cent satisfactory quality.

9. With regard to the tangibility dimension of the service quality, both the RRBs in Kerala obtained an average satisfaction score of around 23, which shows that there is no significant difference between SMGB and NMGB regarding the tangibility dimension of service quality.

10. Nineteen per cent customers of NMGB perceive the tangibility dimension of their bank as low quality whereas that of SMGB is 10.67 per cent.

11. Regarding the total service quality the mean satisfaction score obtained by SMGB is 115.77 with SD 10.70 and that of SMGB is 104.15 with SD 13.69.
Association of RRB customers with other Banks and Financial institutions

1. Out of the total respondents 76 per cent customers of SMGB and 70 per cent customers of NMGB have an association with other banks.

2. Majority of the RRB customers having accounts with other banks have accounts with co-operative banks and nationalized banks.

3. Out of the respondents having accounts with other banks 42 per cent customers of SMGB have both deposit accounts and borrowal accounts and another 42 per cent have only deposit accounts with such other banks. In the case of NMGB 42 per cent of the customers who have an association with other banks have both deposit accounts as well as loan account and 24 per cent have only deposit accounts with such banks.

4. ATM facilities available in commercial banks and personal relations with the officials of co-operative banks are the main reasons for depositing money in the banks other than RRBs.

5. Availability of loan from co-operative societies on the personal security of the customers and higher amount of loan available from the co-operative societies on the security of gold are the main attractions that influenced the RRB customers to avail loan from such banks.

6. Out of the total respondents, only 16 per cent customers of SMGB and 15 per cent customers of NMGB have an association with financial institutions other than banks.

7. Seventy five per cent customers of SMGB having an association with financial institutions other than banks have deposit accounts with such institutions and in the case of NMGB it is 61 per cent.

8. Majority of the customers who have deposited money in financial institutions other than banks disclosed that the chitty facility available in such organizations is the main reason which prompted them to deposit money in these organizations.
9. Regarding the reasons for availing loans from the institutions other than banks, majority of the respondents who availed loans from such institutions revealed that their inability to fulfill the conditions put forward by their bank is the main reason why they availed loans from these institutions.

Section B

Conclusions

1. Since the inception, RRBs in India have grown phenomenally both in terms of numbers as well as branch offices. Branch expansion of RRBs in the state is quite impressive and they become important banks in Malabar area and have now started functioning in other parts of Kerala.

2. Fast urbanization and high density of population has made most of the branch localities as semi-urban. Hence majority of RRB branches are situated in semi-urban areas. Compared to SMGB the number of rural branches is more in NMGB.

3. Both SMGB and NMGB have made remarkable progress in deposit mobilization over the years. The growth in deposit mobilization of these RRBs in Kerala is better than that of RRBs at the all India level.

4. Fixed deposits constitute major portion of deposits of RRBs in Kerala. The share of fixed deposits of NMGB is more than that of SMGB. On the other hand, savings deposits are the major portion of deposits of RRBs at the all India level.

5. Compared to RRBs at the all India level, the share of low cost deposit to total deposit of RRBs in Kerala is very low. This will definitely increase the interest expenditure of the RRBs in the state, which will ultimately affect their profitability.

6. Compared to NMGB, SMGB has a better share of low cost deposit to total deposit.
7. With regard to the ratio of current deposit to total deposit, SMGB showed a negative trend while NMGB displayed a fluctuating trend.

8. Branch level efficiency in deposit mobilization of RRBs in Kerala is better than that of RRBs at the all India level but the employee level efficiency in mobilizing deposit by the RRBs in the state is not up to the mark when compared to RRBs at national level. However, the RRBs in Kerala have a better growth in per employee deposit mobilized as compared to RRBs at the national level.

9. Both the RRBs in Kerala have recorded a fairly good rate of growth in the lending activities. However, their growth rate is slightly lower than that of RRBs at the all India level.

10. SMGB is giving more importance to agricultural sector lending which is in parity with the all India average. But NMGB gives more importance to non-agricultural sector lending activities. Further, there is a significant difference in the flow of agricultural loans of SMGB and NMGB.

11. RRBs in Kerala have given a lion’s share of their lending to the priority sector and its share to total loans outstanding is more than that of RRBs at national level. Also, priority sector lending of SMGB is better than that of NMGB.

12. Loans and advances per branch and per employee of RRBs in Kerala are much more than that of RRBs at the all India level. It indicates that RRBs in Kerala are more efficient in providing loans and advances to its customers as compared to the national average.

13. The Credit-Deposit ratio of both the RRBs in Kerala is far better than that of RRBs at the all India level and is almost twice as that of RRBs at national level for most of the years under study. Thus RRBs in Kerala has been functioning in conformity with the basic objectives of setting up of these banks by providing loans and advances to the weaker sections of the
society. Further, there is no significant difference between SMGB and NMGB in this respect. On the other hand the Credit-Deposit ratio of RRBs at the all India level is very low. Though it has increased during the last few years, it can be seen that most of the RRBs in other states are utilizing their funds for investment purposes instead of giving loans and advances to its clients which is reflected by their lower Credit-Deposit ratio. This decrease in Credit Deposit ratio of RRBs at the all India level was started in the post reform period. Thus it can be said that during the post reform period, RRBs in India are deviating slowly from the basic objective of providing loans and advances to the weaker sections of the society and as part of profit maximization motive they are concentrating on high returns and minimum risk investments instead of giving loans to its clients.

14. As a result of several monetary policy measures taken by Government of India and RBI to strengthen the financial viability of RRBs in India in the post liberalization period, the profits made by RRBs in India have increased significantly over the period of study. But such monetary policies have not created any impact on the profitability of RRBs in Kerala. The profitability of SMGB though, shows negative trends at regular intervals, registered a little better performance when compared to NMGB in which case the profitability growth rate showed an overall declining trend.

15. Interest income as well as interest expenditure of both the RRBs in Kerala have increased over the years. But the increase in interest expenditure is at a very high rate as compared to increase in interest income. As a result of this the spread of RRBs in Kerala has shown a decreasing trend over the years. On the other hand, the burden has shown an increasing trend. All, these have resulted in the lack of improvement in profitability of RRBs in Kerala. On the other hand, in the case of RRBs at the all India level, though the interest income and interest expenditure have increased over the years, increase in interest expenditure is less than that of interest income. As a
result of this, RRBs at the all India level have showed a better performance in their profitability. Higher share of low cost deposit to total deposit is the main reason for their low rate of increase in interest expenditure.

16. Dominant share of fixed deposit in the total deposits of RRBs in Kerala is the main reason for the unjustifiable increase in interest expenditure of RRBs in Kerala. The analysis of the data of RRBs at the all India level in this respect gives a scenario which is just opposite.

17. Cost of funds of RRBs in Kerala is higher than that of RRBs at the all India level and as a result of this the financial margin of RRBs in the state has been decreasing over the years.

18. Non interest income earning capacity of both the RRBs in Kerala is not satisfactory.

19. Operating expenditure of RRBs in Kerala has increased at a rate less than that of RRBs at the all India level. It indicates the operating efficiency of the RRBs in Kerala. This is further highlighted through the lower rate in increase in per branch operating expenditure of RRBs in Kerala.

20. The recovery performance of RRBs in Kerala is far better than that of RRBs at the all India level. RRBs in Kerala are the top level RRBs in the country with regard to the recovery performance. Further, SMGB has a better recovery ratio when compared to that of NMGB.

21. Non performing assets of RRBs in Kerala are within the standards prescribed by the prudential norms of RBI.

22. RRBs in Kerala have a very small representation of youngsters in their manpower and majority of the employees are on the verge of retirement and belongs to the age group of above 50 years.

23. Majority of the employees of RRBs in Kerala are graduates.
24. Around 50 per cent of the employees of RRBs in Kerala are in the occupational level of officers and managers.

25. Employees of RRBs in Kerala are very well satisfied with respect to the environmental factors affecting job satisfaction of employees.

26. There is no significant difference in the level of satisfaction of employees of SMGB and NMGB with their present position in the organization.

27. Majority of the employees of both the banks consider their job as something which provides high level status in the society. However, there is significant difference between the perception of employees of SMGB and NMGB regarding the level of status they enjoy in connection with their job.

28. Majority of the employees of both the RRBs in Kerala consider their job as a responsible one.

29. RRBs in Kerala provide training programmes to their employees and majority of the employees are satisfied with such training programmes.

30. The work environment in the RRBs in Kerala is highly conducive and the employees are satisfied with this.

31. There exists some dissatisfaction among employees of RRBs in Kerala with regard to the grievance handling system in their bank.

32. There exists a very good relationship between the employees and customers of RRBs in Kerala and employees are very well satisfied in the dealings with their customers.

33. Majority of the RRB employees are dissatisfied with the promotion prospects in their bank. Further, there is no significant difference in the level of satisfaction of employees of both the RRBs in Kerala regarding the promotion policies prevailing in their banks.
34. RRB employees in Kerala have a very good participation in their trade union activities and majority of them are of the opinion that trade unions have protected their interest in the organization.

35. There is no significant difference between the SMGB and NMGB with regard to the satisfaction of employees in relation to the work group in their organization.

36. Employees of both the RRBs in Kerala are satisfied with their pay packages. However there exists some dissatisfaction among the employees regarding the non-availability of the benefits over and above the pay which are available to the employees of their sponsor banks. Dissatisfaction in this respect is more prevalent in the case of SMGB.

37. A very good superior-subordinate relationship exists in the RRBs in Kerala.

38. There is no significant difference between the overall job satisfaction of employees of SMGB and NMGB. Further, there is a high level of overall job satisfaction among the employees of both the banks.

39. Personal factors like gender, age, educational qualifications, marital status etc., have no significant influence in the job satisfaction of employees of RRBs in Kerala. However, employees with lower level of educational qualifications seem to be more satisfied in their job as compared to the employees having higher educational qualifications.

40. Liberalization has brought some changes in the functioning of the RRBs. As a result of this there is a shift in the basic objective of banking from providing services to the community to the profit generation by the bank.

41. The services of RRBs are mainly availed by lower income group of the society having basic education and engaged mainly in agriculture and allied activities, retail business and self employment.

42. Proximity of bank branch to the residence or the place of work is the main attraction to the customers to avail the services of the bank.
43. Majority of the customers of RRBs in Kerala are satisfied with the terms and conditions of the bank in providing their services.

44. Agricultural gold loans, agricultural loans on the security of land, business loan, self employment loan etc., are the important types of loans availed by the customers.

45. Some customers complained of delay in sanctioning of loans. However, a major reason for this can be attributed to the delay in submitting documents by the customers. Some of the SMGB customers blamed the bank officials for the delay in sanctioning the loans.

46. The loan amount sanctioned was sufficient for majority of the customers to meet their requirement and those who received insufficient amounts, met the balance amount through the assistance from friends and relatives and few customers approached the money lenders.

47. Majority of the borrowers fully utilized the loan for the purpose for which it was sanctioned.

48. Instance of misutilisation of loan is greater in the case of agricultural gold loans.

49. Regarding the interest rate charged by the bank, majority of the customers consider it as moderate.

50. The repayment period of loan is convenient for majority of the borrowers and they are repaying the loan regularly.

51. Low income of the customers is the main reason for default in repaying the loan. However, a small but significant group expects a future write off in their loans which influence the non-payment of loan installment.

52. The income level of the majority of the borrowers has improved after availing the loans from the RRBs.
53. The existence of the two RRBs in Kerala is instrumental in curtailing the rural customers from availing loans from money lenders. The RRBs have brought socio economic development among the rustics of the state, especially in the northern part.

54. RRB customers in Kerala are satisfied with the various dimensions of service quality. They are satisfied with the reliability, responsiveness, assurance, empathy and tangibility dimensions.

55. There exists a significant difference in the satisfaction levels of the customers of NMGB and SMGB with respect to the various dimensions of service quality and the customers of NMGB are more satisfied with the services of their bank.

56. Majority of the RRB customers have an association with other banks functioning in the state, out of which many of them have accounts with nationalized banks and service co-operative banks. These customers have both deposit as well as borrowal accounts with these banks.

57. Only very few customers of RRBs in Kerala have association with the new generation private banks.

58. Modern banking facilities like core banking, ATM facilities etc., have attracted some of the RRB customers to deposit their savings in nationalized banks and personal relations with the official of co-operative banks have influenced some of the other RRB customers to deposit their money in co-operative banks, instead of depositing it in the RRBs.

59. Availability of loan from the co-operative banks on the personal security of the customer and availability of higher amount of loan against the security of gold are the main reasons that motivated RRB customers to avail loans from the co-operative banks.

60. A small group of customers of RRBs in the state have an association with non banking financial institutions. The chitty facility available in these
organizations is a major attraction to RRB customers in depositing money in these organizations.

61. The customers who could not fulfill the conditions put forward by the RRBs have approached the non-banking financial institution for availing the financial assistance even though they are charging very high rate of interest.

Section C
Suggestions

1. RRBs in Kerala can be described as a banking system aimed at the welfare of the common people. Therefore, vibrant service operations of these banks are essential to the people in a period when the public and private banks neglect the downtrodden. So the government should take initiative to strengthen these banks and expand their operations to other areas where the facility of these banks are not available.

2. RRBs have to make earnest efforts to promote the mobilization of rural deposits. Deposit campaigning can be organized with wide publicity at the appropriate times especially festivals, harvesting and marketing of crops and other occasions.

3. RRBs in Kerala should take necessary steps to attract low cost deposits as its cost of funds are much higher than that of RRBs at the all India level and its share of low cost deposit to total deposit is very low as compared to RRBs at national level. For this purpose the bank has to take deposit mobilization campaigns among the business men and motivate them to open current accounts in RRBs.

4. The core banking system in the RRBs is not adequate at present. It is necessary to establish network computerization and online transaction, especially in town branches. ATM system should be introduced in all branches. All these will attract more deposit in the bank and ensure quick disposal of transactions.
5. New attractive and innovative schemes should be introduced according to the requirements of different types of depositors in the rural areas, for instance daily collection scheme to encourage tiny savings of the rural poor.

6. At present there is no deposit scheme for children. So it would be better to start a ‘sanchaika’ model deposit scheme for children of the command area of the bank involving the schools of the locality.

7. To avoid unnecessary competition, RBI should make a policy for transfer of business from rural branches of commercial banks to RRBs. This will make a shift of business of rich farmers from commercial banks to RRBs, which will be helpful to increase profit of RRBs and at the same time it will avoid wasteful competition between the commercial banks and RRBs.

8. To further strengthen the RRBs, the government should provide its rural financial assistance and funds for rural development programmes through RRBs and also allow the RRBs to conduct government transactions in rural areas.

9. RRBs were allowed to finance non-target group borrowers to the extent of 60 per cent of fresh loans. This was unwarranted because it would strike at the root of the objective of the RRBs. So the RRBs should allow at least 80 per cent of their loans and advances to priority sector.

10. The borrowers should be educated on different types of credit facilities, eligibility norms, repayment schedule, rate of interest and they should be provided with necessary printed literature to avoid delay in getting loan. This approach would greatly facilitate decision making by the borrowers.

11. Loan scheme should be introduced for the purchase of land for agricultural purposes. Security and margin norms for agricultural loans should be relaxed and period of agricultural loans should be extended considering the present crisis of agriculturists due to fall in price of agricultural products and low productivity in agricultural sector due to various factors like changes in weather, crop diseases etc.,
12. In the case of small trade loans, the period and amount of loans should be enhanced. Overdraft may be given to more business men on security of equitable mortgage. This will attract deposits from business men in current accounts, which will provide low cost deposit to the bank.

13. The bank should see that the loans are utilized only for the purpose for which it is sanctioned. There is a high level of misutilisation of loans in the case of agricultural gold loans for which the borrowers have to pay subsidized interest rate. So the bank should give agricultural gold loans only to those who engage in agricultural activities.

14. The RRBs should organize more and more loan recovery camps since this method has been found more effective and successful in this regard compared to other methods.

15. Some times the government writes off the loans to get political advantages, which adversely affects the recovery of loans. Borrowers of sound financial position having repaying capacity also tend to delay the installment. The government should ensure that benefits of such write-off are available to genuine cases. Further they should not write-off the loans to get political advantages.

16. Refinance facility to RRBs should be made available at subsidized interest rate by sponsoring bank and NABARD.

17. Credit-Deposit ratio of RRBs in Kerala should be maintained at the present high rate and RRBs in other states should take necessary steps to increase their Credit Deposit ratio by decreasing their investment in high return and low risk securities. This will help the rural people in availing more credit facilities.

18. RRBs should take steps to increase their non-interest income by way of service charges on collection of cheques and bills, giving guarantees, locker facility etc.,

19. RRBs should be made a full-fledged bank for rural India transacting all kinds of banking business for rural people.
20. Keeping in view the need of the rural people the RRBs should adjust their working hours, which will be effective for both of them. Evening branch facility will be helpful to the business men to invest their daily collections.

21. Though the RRB employees have been given salaries at par with nationalized banks, the other benefits for nationalized bank employees may also be provided to them.

22. The nomination of government officials or active politicians may hinder the smooth working of the board of directors of RRBs. Only officials having some knowledge and experience in rural economics and banking can prove to be better. Hence, this may be duly taken care of while making nominations.

23. The grievance redressal system prevailing in the organization can be improved further.

24. RRBs in Kerala, as a bank for rural upliftment can play a better role for the upliftment of less privileged sections of the society. It may help old, helpless, homeless, sick and abandoned human beings. As part of Corporate Social Responsibility it may set apart a fixed per cent of their profit for the well beings of rural people. It is also seen that the main social activity undertaken by all the branches of the RRBs in Kerala consists of awards given to brilliant students, but only limited in number. Hence the bank should introduce more and more social activity schemes like medical treatment facilities for the poor people having serious illness, construction of well for drinking water, promoting pain and palliative centers, adoption of brilliant students for higher education etc. This will facilitate more interactions with the people of the area.

25. Sponsor wise amalgamation of RRBs at the state level started in 2004-05 made significant improvement in the profitability and viability of RRBs in India. As the two RRBs functioning in Kerala is sponsored by two different commercial banks, such amalgamation policy has not affected the functioning of the RRBs in the state. So the government should consider the amalgamation of these two RRBs in to a state level rural bank by retaining
the interest of both the sponsor banks. Such a move will definitely reduce the transaction costs and will be helpful to increase the profitability and viability of the bank. The proposed RRB should be made as a specialized institution for rural areas and should be allowed to conduct all government transactions in rural areas. Further, such a state level bank can provide modern facilities in banking system like core banking, internet banking, ATM facilities etc., All these will boost the confidence of the depositors and thereby increase the deposit which will result in increase in credit available to the rural masses. This increased flow of credit in to the rural areas will lead to the socio-economic upliftment of the rustics which will pave the way for the overall development of the state.

**Scope for Further Research**

This study is not an exhaustive report for the policy makers of RRBs. There is further scope for studies to be conducted by the prospective research scholars in the following areas.

1. Bank marketing has gained momentum in India during the last twenty years, especially after liberalization. A study could be conducted on the marketing aspects like place, person, product, promotion etc., of the RRBs in Kerala.

2. The RRBs were setup with the primary objective of channelising the credit to the priority sectors. There is scope for conducting a study on the sector-wise analysis of priority sector lending by RRBs in Kerala.