# Chapter-8

## Discussion, suggestions and area of further research

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Discussion, suggestions and area of further research

8.1 Introduction

This chapter gives the discussion on performance of Baroda Gujarat Gramin Bank (BGGB), Dena Gujarat Gramin bank (DGGB) and Saurashtra Gramin Bank (SGB) and their comparison in various aspects. It is followed by suggestions for strengthening the performance of RRBs in Gujarat.

8.2 Discussion about Performance of RRBs in Gujarat

8.2.1 Baroda Gujarat Gramin Bank

Branch expansion and its effectiveness

The numbers of branches of BGGB were 128 in the year 2005-06 which increased up to 151 in the year 2012-13. Out of these the number of rural and semi urban branches were 122 in year 2005-06 which gradually reached up to 143 branches in the year 2012-13. The numbers of single branches in rural area were 105 in 2005-06 which reached up to 109 in the year 2012-13. The total numbers of branches of all the RRBs in Gujarat were 388 in 2005-06 which increased up to 529 in year 2012-13.

As shown in Table 6.2.1.7, the market share of Baroda Gujarat Gramin Bank (BGGB) showed a downward linear trend where as Ratio of rural single branch (RSB) to total branches of BGGB showed downward linear trend.

In absolute terms the branch network of Baroda Gujarat Gramin Bank has definitely increased. However in relative terms, the percentage of branches of BGGB branches to total branches of RRBs in Gujarat has not kept the pace with other two RRBs in Gujarat, showing declining trend.

Also the RRBs are meant to make financial inclusion by opening the branches in unbanked rural areas. In this aspect BGGB shows a declining trend.
To conclude, as the trend shows BGGB has declining performance in terms of branch expansion and its effectiveness which is meant to study the performance of RRB in serving its purpose of financial inclusion.

**Deposit mobilization and its effectiveness**

Total deposits mobilized by BGGB were Rs. 649.90 lakhs in the year 2006 which increased to 1905.18 lakhs in the year 2013 showing 3.06 times increase in 8 years. The corresponding deposits of three RRBS in Gujarat were Rs. 1903.04 lakhs and Rs. 6243.86 lakhs respectively showing 3.28 times increase in 8 years.

As Table 6.2.1.18 show the market share of BGGB in deposit mobilization went down from year 2006 to 2011 but has started improving from year 2012. In terms of composition of deposits, the contribution of fixed deposits in total deposits is steadily (Ratio at the 2005-06 as around 35.10 and it continuously increase to 55 in the year 2012-13) increasing whereas it is decreasing for both savings deposit (In the 2005-06 RSD index was around 59.41% and by the end of the eight years i.e. 2012-13 it came down to around 42.67%) and current deposits (In the 2005-06 RCD index was around 5.48% and by the end of the eight years i.e. 2012-13 it came down to around 2.32%).

In terms of spread of deposit to number of account holders (incidence per Deposit – IDA) it has increased steadily. The number of account holders it covered were 5,88,699 in the year 2006 which increased up to 9,50,215 showing 1.61 times rise in 8 years.

The RRBs are expected to mobilize more and more small and scattered savings from interior villages by inculcating saving habit among the rural masses. A rural bank which is capable of making up the mind of the rural people to save more and more in the form of bank deposits may be said to be more effective in the sphere of rural deposit mobilization. The effectiveness of the bank in inculcating the saving habit is examined by the ratio of savings deposits to total deposits of the bank. The role of the bank in inculcating the saving habit among traders, small businessman, artisans, etc. is examined by the ratio of current deposits to total deposits of the bank.

To conclude, the declining trend of savings deposit ratio and current account ratio indicate that BGGB’s performance in inculcating saving habits of rural poor is declining even though the deposit mobilization and incidence of deposits per account
is increasing. The improvement in BGGB’s performance in mobilizing more fixed deposits meaning long term interest burden and less service cost which requires better credit management to remain profitable.

**Credit Management**

The loans and advances of BGGB were Rs. 26372.81 lakhs in the year 2005-06 which increased to Rs. 73356.59 lakhs in the year 2012-13 showing 2.78 times increase in 8 years. The corresponding figures for all the RRBs in Gujarat for the same period were Rs. 91506.23 lakhs and 314017.48 lakhs respectively showing 3.43 times increase.

As shown in Table 6.2.1.25 the market share of BGGB is showing declining trend (In the 2005-06 MCR index was around 29.15% and by the end of the eight years i.e. 2012-13 it came down to around 25.09%). Also the Credit Deposit Ratio (CDR) is declining (In the 2005-06 CDR was around 48.86% and by the end of the eight years i.e. 2012-13 it came down to around 37.63%). However the recovery performance of BGGB has improved over the years indicating upward trend (In the 2005-06 RPR was around 68.15% and by the end of the eight years i.e. 2012-13 it is increased to around 80.62%).

The major objectives of the RRBs is to develop the rural economy by providing credit and other facilities for agriculture, trade, industry and other productive activities in rural areas, particularly to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs.

RRBs are expected to act as development agent in rural areas. The basic concept development banking is that credit is consciously used as a lever of development. The effective role of a rural bank in the sphere of credit management can be evaluated in terms of market segment covered for meeting the credit requirements of rural masses.

The CDR indicates the extent to which the particular district or region has been benefited in the form of credit expansion out of deposits generated from that district or region. Low credit deposit ratio indicates inability of the bank to make use the public deposits lying with it for the credit expansion.
The RRBs are meant to extend the credit to rural poor for productive and allied purpose so that the divide of poor and rich can be bridged and they can be taken out from the clutches of informal credit market.

To conclude, except the recovery part of credit BGGB’s performance has declined in credit expansion during the study period. Also this adversely affects the profitability of Bank.

**Operational Efficiency**

The BGGB had spread of Rs. 1381.83 lakhs in year 2005-06 which increased to Rs. 5832.41 lakhs in the year 2012-13. The burden for corresponding period was Rs. 962.50 lakhs and Rs. 3877.05 lakhs respectively. The profits were Rs. 419.33 lakhs in 2005-06 which increased to Rs. 1955.36 lakhs in year 2012-13 showing 4.66 times increase in profit.

In terms of trend, the Spread burden profit ratio (SBP) showed upward trend. All other ratios related to operational efficiency do not show any particular pattern/ trend.

Therefore, to sum up the performance of BGGB in terms of operational profitability is improving over the period of time.

The following observations are made for other ratios:

- The Burden coverage ratio has been more than 1 for all years showing consistently good performance in keeping spread more than burden (though it does not show any particular trend).
- However, the Burden responsiveness ratio is very high, for most of the years, meaning the percentage increase in burden is far more than percentage increase in the volume of bank business making the burden less cost effective.
- Manpower cost effectiveness has shown wide variation over the years, showing change from year to year but surely not showing declining trend with increase in volume of business.
- Surprisingly other cost responsiveness is not showing declining trend as expected. It has been very high for number of years and at time less than 1 not falling in particular trend.
- Ancillary income is having wide variations over the years not forming any trend, but less than estimated line of income responsiveness for all the years.
- The productivity of a bank may be evaluated by the operating cost responsiveness as measured by the proportionate change in operating cost in relation to proportionate change in operating earnings. The productivity of a bank is inversely related to the cost responsiveness. In other words, the high cost responsiveness results in lower productivity and vice-versa. The actual cost responsiveness ratio does not show particular trend but however it is very high compared to the estimated line of responsiveness for all the years.

So overall the performance of BGGB in terms of operational profitability shows upward trends, meaning banks are managing its operational efficiency by increasing spread over the years, keeping burden less than spread and thereby earning profit.

**Financial Profitability**

The Ratio of return on working funds (RWF) measures the overall profitability of the working funds at the bank level. The net profit expressed as a percentage of total capital employed, i.e. working funds throws light on productivity of capital employed in the bank.

The net profit for BGGB was Rs. 348.68 lakhs for the year 2005-06 which increased to Rs. 1255.41 lakhs showing increase by 3.60 times. The working funds employed were Rs. 71555.94 lakhs in year 2005-06 which went up to Rs. 214669.69 lakhs in year 2012-13 showing an increase by 3 times in 8 years. This is reflected in a quadratic trend. It has been increasing from year 2005-06 till 2008-09 and later decline year after. In terms of percentage it was 0.48 percentages in 2005-06, increased to 1.07 to 1.47 to 1.87 during 2006-07 to 2008-09, but later on declined to 1.54 to 0.79 to 0.42 and 0.58 from year 2009-10 to 2012-13. This indicates compared to increase in workings funds the profit has not increased showing decline in overall of productivity of BGGB.

Other observations:

- The Ratio of interest income to working funds (IWF) is showing increasing trend, helping to improve profitability.
- Ratio of Miscellaneous income to working funds is showing downward trend, meaning BGGB is not exploring the options of providing value added services to increase banking business.

- Ratio of cash to working funds (CWF) shows increasing trend meaning bank doing cash management / working funds efficiently.

- The Ratio of accumulated profit to working funds showing quadratic trend.

- The Ratio of borrowings and deposits to working funds shows upward trend. It was around 92.90% in 2005-06 which increased up to 94.71 % in 2012-13. A lion share of borrowings and deposits reflect high financial risk which, in turn affects interest expenses, spread and ultimately, the profitability of BGGB.

- Ratio of interest expenses to working funds (IEW) shows upward trend. It was 2.28 % of working fund in year 2005-06, steadily increasing reached up to 6.06 % in year 2012-13 the reason attributed to this is high Ratio of borrowings and deposits to working funds (92.9 % to 94.71 % in 8 years).

- The Ratio of manpower expenses to working funds shows wide variation, not having a pattern. However it is always higher than the estimated line of Manpower expenses to working funds.

- Ratio of other operating expense to working funds (OEW) showed downward trend, meaning better profitability.

Overall the productivity of BGGB improved in terms of

- Interest income
- Better cash productivity
- Other operating expenses

However it was adverse in terms:

- High financial risk due to very high ratio of borrowings and deposits
- Increasing interest expenses
- Downward trend in miscellaneous income
- Accumulated profit quadratic trend

Resulting into decreasing productivity in later years after initial improvement in the same.
Table-8.1

Table showing the performance of BGGB expressed in five aspects:

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Parameter</th>
<th>Expected trend</th>
<th>Actual trend</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Branch Expansion and effectiveness</td>
<td>Upward trend</td>
<td>Downward trend</td>
<td>-Decline -Needs improvement</td>
</tr>
<tr>
<td>2</td>
<td>Deposit mobilization</td>
<td>Upward trend</td>
<td>Upward trend</td>
<td>-Decline -The essence of Financial inclusion not served well</td>
</tr>
<tr>
<td>3</td>
<td>Credit management</td>
<td>Upward trend</td>
<td>Downward trend</td>
<td>-Decline -needs improvement</td>
</tr>
<tr>
<td>4</td>
<td>Operation efficiency</td>
<td>Upward trend</td>
<td>Upward trend</td>
<td>Improvement</td>
</tr>
<tr>
<td>5</td>
<td>Financial profitability</td>
<td>Upward trend</td>
<td>Quadric trend</td>
<td>Decline</td>
</tr>
<tr>
<td></td>
<td>Overall performance</td>
<td></td>
<td></td>
<td>- Financial viability is there</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- Performance in terms essence of role of RRB needs improvement as :</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Ratio of Savings and Current account on decline</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>• CDR is on decline</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>• Branch network to rural and semi-urban area is on decline</td>
</tr>
</tbody>
</table>

8.2.2 Dena Gujarat Gramin Bank

**Branch expansion and its effectiveness**

The numbers of branches of DGGB were 130 in the year 2005-06 which increased up to 175 in the year 2012-13. Out of these the number of rural and semi urban branches were 130 in year 2005-06 which gradually reached up to 163 branches in the year 2012-13. The numbers of single branches in rural area were 102 in 2005-06 which reached up to 124 in the year 2012-13. The total numbers of branches of all the RRBs in Gujarat were 388 in 2005-06 which increased up to 529 in year 2012-13.
As shown in Table 6.2.2.7, the Market share of Dena Gujarat Gramin Bank (DGGB) showed a no trend where as ratio of Rural Single Branch (RSB) to total branches of DGGB showed 2nd degree polynomial improved trend.

In absolute terms the branch network of Dena Gujarat Gramin Bank has definitely increased. However in relative terms, the percentage of branches of DGGB branches to total branches of RRBs in Gujarat has not kept the pace with other two RRBs in Gujarat, showing declining trend.

Also the RRBs are meant to make financial inclusion by opening the branches in unbanked rural areas. In this aspect DGGB shows a no trend.

To conclude, as the trend shows DGGB has stable performance in terms of branch expansion and its effectiveness which is meant to study the performance of RRB in serving its purpose of financial inclusion.

**Deposit mobilization and its effectiveness**

Total deposits mobilized by DGGB were Rs. 703.06 lakhs in the year 2006 which increased to 2518.12 lakhs in the year 2013 showing 3.58 times increase in 8 years. The corresponding deposits of three RRBs in Gujarat were Rs. 1903.04 lakhs and Rs. 6243.86 lakhs respectively showing 3.28 times increase in 8 years.

As Table 6.2.2.18 show the market share of DGGB in deposit mobilization constant improve from 2006. In terms of composition of deposits, the contribution of fixed deposits in total deposits is (Ratio at the 2005-06 as around 49.93 and it continuously increase to 56.2 in the year 2012-13) fluctuating whereas it is decreasing for both savings deposit (In the 2005-06 RSD index was around 48.28 and by the end of the eight years i.e. 2012-13 it came down to around 40.49%). and current deposits (In the 2005-06 RCD index was around 4.86% and by the end of the eight years i.e. 2012-13 it came down to around 3.36%). In terms of spread of deposit to number of account holders (incidence per Deposit – IDA) it has increased steadily. The number of account holders it covered were 5,30,478 in the year 2006 which increased up to 11,46,886 showing 2.16 times rise in 8 years.

The RRBs are expected to mobilize more and more small and scattered savings from interior villages by inculcating saving habit among the rural masses. A rural bank...
which is capable of making up the mind of the rural people to save more and more in the form of bank deposits may be said to be more effective in the sphere of rural deposit mobilization. The effectiveness of the bank in inculcating the saving habit is examined by the ratio of savings deposits to total deposits of the bank. The role of the bank in inculcating the saving habit among traders, small businessman, artisans, etc. is examined by the ratio of current deposits to total deposits of the bank.

To conclude, the declining trend of savings deposit ratio and current account ratio indicate that DGGB’s performance in inculcating saving habits of rural poor is declining even though the deposit mobilization and incidence of deposits per account is increasing. The improvement in DGGB’s performance in mobilizing more fixed deposits meaning long term interest burden and less service cost which requires better credit management to remain profitable.

**Credit Management**

The loans and advances of DGGB were Rs. 28684.04 lakhs in the year 2005-06 which increased to Rs. 110979.02 lakhs in the year 2012-13 showing 3.87 times increase in 8 years. The corresponding figures for all the RRBs in Gujarat for the same period were Rs. 91506.23 lakhs and 314017.48 lakhs respectively showing 3.43 times increase.

As shown in Table 6.2.2.25 the Market share of DGGB is showing no trend (In the 2005-06 MCR index was around 32.33% and by the end of the eight years i.e. 2012-13 it was around 32.45%). Also the Credit Deposit Ratio (CDR) is no trend (In the 2005-06 CDR was around 48.54% and by the end of the eight years i.e. 2012-13 it came down to around 42.15%). However the recovery performance of DGGB has not improved over the years (In the 2005-06 RPR was around 85.10% and by the end of the eight years i.e. 2012-13 it is decreased to around 81.76%).

The major objectives of the RRBs is to develop the rural economy by providing credit and other facilities for agriculture, trade, industry and other productive activities in rural areas, particularly to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs.

RRBs are expected to act as development agent in rural areas. The basic concept development banking is that credit is consciously used as a lever of development. The
effective role of a rural bank in the sphere of credit management can be evaluated in terms of market segment covered for meeting the credit requirements of rural masses.

The Credit deposit ratio indicates the extent to which the particular district or region has been benefited in the form of credit expansion out of deposits generated from that district or region. Low credit deposit ratio indicates inability of the bank to make use the public deposits lying with it for the credit expansion.

The RRBs are meant to extend the credit to rural poor for productive and allied purpose so that the divide of poor and rich can be bridged and they can be taken out from the clutches of informal credit market.

To conclude, DGGB’s performance has no perfect trend in credit expansion during the study period. Also this adversely affects the profitability of Bank.

**Operational Efficiency**

The DGGB had spread of Rs. 2749.57 lakhs in year 2005-06 which increased to Rs. 6977.62 lakhs in the year 2012-13. The burden for corresponding period was Rs. 1525.79 lakhs and Rs. 4180.05 lakhs respectively. The profits were Rs. 1223.78 lakhs in 2005-06 which increased to Rs. 2797.57 lakhs in year 2012-13 showing 2.29 times increase in profit.

In terms of trend, the Spread burden profit ratio (SBP) showed upward trend. All other ratios related to operational efficiency do not show any particular pattern/ trend.

Therefore, to sum up the performance of DGGB in terms of operational efficiency is improving over the period of time.

The following observations are made for other ratios:

- The Burden coverage ratio has been more than 1 for all years showing consistently good performance in keeping spread more than burden (though it does not show any particular trend)
- The Burden responsiveness ratio has been less than 1 for all of the years, meaning the percentage increase in burden is far less than percentage increase in the volume of bank business making the burden more cost effective.
- Manpower cost effectiveness has shown wide variation over the years, showing change from year to year but surely not showing declining trend with increase in volume of business.

- Surprisingly other cost responsiveness is not showing declining trend as expected. It has been very high for one of years and at time less than 1 not falling in particular trend.

- Ancillary income is having wide variations over the years not forming any trend, but less than estimated line of income responsiveness for all the years.

- The productivity of a bank may be evaluated by the operating cost responsiveness as measured by the proportionate change in operating cost in relation to proportionate change in operating earnings. The productivity of a bank is inversely related to the cost responsiveness. In other words, the high cost responsiveness results in lower productivity and vice-versa. The actual cost responsiveness ratio does not show particular trend but however it is very high compared to the estimated line of responsiveness for all the years.

So overall the performance of DGGB in terms of operational profitability shows upward trends, meaning banks is managing its operational efficiency by increasing spread over the years, keeping burden less than spread and thereby earning profit.

**Financial Profitability**

The Ratio of return on working funds (RWF) measures the overall profitability of the working funds at the bank level. The net profit expressed as a percentage of total capital employed, i.e. working funds throws light on productivity of capital employed in the bank.

The net profit for DGGB was Rs. 1,078.79 lakhs for the year 2005-06 which increased to Rs. 1,764.32 lakhs showing increase by 1.64 times. The working funds employed were Rs. 81,347.52 lakhs in year 2005-06 which went up to Rs.2,91843.22 lakhs in year 2012-13 showing an increase by 3.59 times in 8 years. Return of working funds shows downward for all the years during study period except the year 2007-08 i.e.1.01 percent. This indicates compared to increase in working funds the profit has not increased showing decline in overall of productivity of DGGB.

Other observations:
- The Ratio of interest income to working funds (IWF) is showing no trend, helping to improve profitability.

- Ratio of Miscellaneous income to working funds is showing downward trend, meaning DGGB is not exploring the options of providing value added services to increase banking business.

- Ratio of cash to working funds (CWF) shows increasing trend meaning bank doing cash management / working funds efficiently.

- The Ratio of accumulated profit to working funds showing upward trend.

- The Ratio of borrowings and deposits to working funds shows no trend. It was around 91.10% in 2005-06 which decreased to 90.65 % in 2012-13. A lion share of borrowings and deposits reflect high financial risk which, in turn affects interest expenses, spread and ultimately, the profitability of DGGB.

- Ratio of interest expenses to working funds (IEW) shows upward trend. It was 4.20 % of working funds in year 2005-06, steadily increasing reached up to 5.84 % in year 2012-13 the reason attributed to this is high Ratio of borrowings and deposits to working funds (91.10 % to 90.65 % in 8 years).

- The Ratio of manpower expenses to working funds shows downward trend. Its helps in improving the profitability of the bank.

- Ratio of other operating expense to working funds (OEW) showed wide variation, not having a pattern.

Overall the productivity of DGGB improved in terms of

- Interest income
- Better cash productivity
- Accumulated profit quadratic trend
- Other operating expenses
- Manpower expense

However it was adverse in terms:

- High financial risk due to very high ratio of borrowings and deposits
- Increasing interest expenses
- Downward trend in miscellaneous income

Resulting into decreasing productivity in later years after initial improvement in the same.
Table-8.2

Table showing the performance of DGGB expressed in five aspects:

<table>
<thead>
<tr>
<th></th>
<th>Expected trend</th>
<th>Actual trend</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Branch Expansion and effectiveness</td>
<td>Upward trend</td>
<td>Downward trend</td>
</tr>
<tr>
<td>2</td>
<td>Deposit mobilization</td>
<td>Upward trend</td>
<td>Upward trend in incidence per account -Declining trend in savings and current deposit ratio</td>
</tr>
<tr>
<td>3</td>
<td>Credit management</td>
<td>Upward trend</td>
<td>Downward trend</td>
</tr>
<tr>
<td>4</td>
<td>Operation efficiency</td>
<td>Upward trend</td>
<td>Upward trend</td>
</tr>
<tr>
<td>5</td>
<td>Financial profitability</td>
<td>Upward trend</td>
<td>Quadric trend</td>
</tr>
<tr>
<td></td>
<td>Overall performance</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

8.2.3 Saurashtra Gramin Bank

Branch expansion and its effectiveness

The numbers of branches of SGB were 130 in the year 2005-06 which increased up to 203 in the year 2012-13. Out of these the number of rural and semi urban branches were 124 in year 2005-06 which gradually reached up to 176 branches in the year 2012-13. The numbers of single branches in rural area were 108 in 2005-06 which reached up to 127 in the year 2012-13. The total numbers of branches of all the RRB s in Gujarat were 388 in 2005-06 which increased up to 529 in year 2012-13.
As shown in Table 5.2.3.7, the Market share of Saurashtra Gramin Bank (SGB) showed an upward linear trend where as ratio of Rural Single Branch (RSB) to total branches of SGB showed downward linear trend.

In absolute terms the branch network of Saurashtra Gramin Bank has definitely increased. The bank has kept the leading position in terms of branch network.

The RRBs are meant to make financial inclusion by opening the branches in unbanked rural areas. In this aspect SGB shows a declining trend.

To conclude, as the trend shows SGB has improving performance in terms of branch expansion however in terms of its effectiveness in terms of financial inclusion its performance is declining.

**Deposit mobilization and its effectiveness**

Total deposits mobilized by SGB were Rs. 550.09 lakhs in the year 2006 which increased to 1905.18 lakhs in the year 2013 showing 3.06 times increase in 8 years. The corresponding deposits of three RRBS in Gujarat were Rs. 1903.04 lakhs and Rs. 6243.86 lakhs respectively showing 3.28 times increase in 8 years.

As Table 6.2.3.18 show the Market share of SGB in deposit mobilization went down from year 2006 to 2013. In terms of composition of deposits, the contribution of fixed deposits in total deposits is steadily (Ratio at the 2005-06 as around 55.98 and it continuously increase to 60.92 in the year 2012-13) increasing whereas it is decreasing for both savings deposit (In the 2005-06 RSD index was around 42.88% and by the end of the eight years i.e. 2012-13 it came down to around 37.88%.) and current deposits (In the 2005-06 RCD index was around 1.36% and by the end of the eight years i.e. 2012-13 it came down to around 1.42%). In terms of spread of deposit to number of account holders (incidence per Deposit – IDA) it has decreased steadily. The number of account holders it covered were 3,03,478 in the year 2006 which increased up to 6,18,238 showing 2.04 times rise in 8 years.

The RRBs are expected to mobilize more and more small and scattered savings from interior villages by inculcating saving habit among the rural masses. A rural bank which is capable of making up the mind of the rural people to save more and more in the form of bank deposits may be said to be more effective in the sphere of rural
deposit mobilization. The effectiveness of the bank in inculcating the saving habit is examined by the ratio of savings deposits to total deposits of the bank. The role of the bank in inculcating the saving habit among traders, small businessman, artisans, etc. is examined by the ratio of current deposits to total deposits of the bank.

To conclude, the declining trend of savings deposit ratio and incidence of deposits per account ratio indicate that SGB’s performance in inculcating saving habits of rural poor is declining even though the deposit mobilization and ratio of current deposit is increasing. The improvement in SGB’s performance in mobilizing more fixed deposits meaning long term interest burden and less service cost which requires better credit management to remain profitable.

**Credit Management**

The loans and advances of SGB were Rs. 36,449.38 lakhs in the year 2005-06 which increased to Rs. 1,29,681.87 lakhs in the year 2012-13 showing 3.56 times increase in 8 years. The corresponding figures for all the RRBs in Gujarat for the same period were Rs. 91,506.23 lakhs and 3,14,017.48 lakhs respectively showing 3.43 times increase.

As shown in Table 6.2.3.25 the market share of SGB is showing no trend (In the 2005-06 MCR index was around 38.98% and by the end of the eight years i.e. 2012-13 it came up to around 43.09%). Also the Credit deposit ratio (CDR) is no trend (In the 2005-06 CDR was around 69.27% and by the end of the eight years i.e. 2012-13 it came down to around 69.54%). However the recovery performance of SGB has came down over the years indicating no trend (In the 2005-06 RPR was around 87.97% and by the end of the eight years i.e. 2012-13 it is decreased to around 83.51%).

The major objectives of the RRBs is to develop the rural economy by providing credit and other facilities for agriculture, trade, industry and other productive activities in rural areas, particularly to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs.

**Operational Efficiency**

The SGB had spread of Rs. 418.17 lakhs in year 2005-06 which increased to Rs. 6226.15 lakhs in the year 2012-13. The burden for corresponding period was Rs.
308.81 lakhs and Rs. 1151.22 lakhs respectively. The profits were Rs. 109.36 lakhs in 2005-06 which increased to Rs. 5074.93 lakhs in year 2012-13 showing 46.51 times increase in profit.

In terms of trend, the Spread burden profit ratio (SBP) showed upward trend. All other ratios related to operational efficiency do not show any particular pattern/trend. Therefore, to sum up the performance of SGB in terms of operational profitability is improving over the period of time.

The following observations are made for other ratios:

- The Burden coverage ratio has been more than 1 for all years showing consistently good performance in keeping spread more than burden (though it does not show any particular trend)
- However, the Burden responsiveness ratio is very high, for most of the years, except the year 2012 and 2013, meaning the percentage increase in burden is far more than percentage increase in the volume of bank business making the burden less cost effective.
- Manpower cost responsiveness has shown year by year decreasing percentage even though it is has no trend.
- Surprisingly other cost responsiveness is not showing declining trend as expected. It has been very high for number of years and at time less than 1 not falling in particular trend.
- Ancillary income responsiveness has downward polynomial trend that affects adversely to the profitability of the bank.
- The productivity of a bank may be evaluated by the operating cost responsiveness as measured by the proportionate change in operating cost in relation to proportionate change in operating earnings. The productivity of a bank is inversely related to the cost responsiveness. In other words, the high cost responsiveness results in lower productivity and vice-versa. The actual cost responsiveness ratio does not show particular trend but however it is very high compared to the estimated line of responsiveness for all the years.
So overall the performance of SGB in terms of operational profitability shows upward trends, meaning bank is managing its operational efficiency by increasing spread over the years, keeping burden less than spread and thereby earning profit.

**Financial Profitability**

The Ratio of return on working funds (RWF) measures the overall profitability of the working funds at the bank level. The net profit expressed as a percentage of total capital employed, i.e. working funds throws light on productivity of capital employed in the bank.

The net profit for SGB was Rs. 80.36 lakhs for the year 2005-06 which increased to Rs. 3093.33 lakhs showing increase by 38.49 times. The working funds employed were Rs. 61754.68 lakhs in year 2005-06 which went up to Rs. 225983.02 lakhs in year 2012-13 showing an increase by 3.66 times in 8 years. This is reflected in a upward trend. In terms of percentage it was 0.13 percentages in 2005-06, increased to 1.36 in 2013. This indicates that the bank use maximum utilization of their working funds and earned more profit.

Other observations:

- The Ratio of interest income to working funds (IWF) is showing increasing trend, helping to improve profitability.

- Ratio of Miscellaneous income to working funds is showing increasing trend, meaning SGB is true way for exploring the options of providing value added services to increase banking business.

- Ratio of cash to working funds (CWF) shows increasing trend meaning bank doing cash management / working fund efficiently.

- The Ratio of accumulated profit to working funds showing increasing quadratic trend.

- The Ratio of borrowings and deposits to working funds shows no trend. It was around 94.14% in 2005-06 which went down to 85.24 % in 2012-13. A lion share of borrowings and deposits reflect high financial risk which, in turn affects interest expenses, spread and ultimately, the profitability of SGB.

- Ratio of interest expenses to working funds (IEW) shows upward trend. It was 1.21 % of working funds in year 2005-06, steadily increasing reached up to 5.74 % in year 2012-13 the reason attributed to this is high Ratio of borrowings and deposits to working funds (94.14 % to 94.71 % in 8 years)
- The Ratio of manpower expenses to working funds shows wide variation, not having a pattern. However it is always higher than the estimated line of manpower expenses to working funds.
- Ratio of other operating expense to working funds (OEW) showed upward trend, meaning adverse effects on profitability.

Overall the productivity of SGB improved in terms of
- Interest income
- Better cash productivity
- Miscellaneous income
- Accumulated profit quadratic trend

However it was adverse in terms:
- High financial risk due to very high ratio of borrowings and deposits
- Other operating expenses
- Increasing interest expenses

Resulting into increasing productivity in later years after initial improvement in the same.

Table-8.3

Table showing the performance of SGB expressed in five aspects:

<table>
<thead>
<tr>
<th></th>
<th>Expected trend</th>
<th>Actual trend</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Branch Expansion and</td>
<td>Upward trend</td>
<td>Downward trend</td>
<td>-Decline -needs improvement</td>
</tr>
<tr>
<td>effectiveness</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Deposit mobilization</td>
<td>Upward trend</td>
<td>Upward trend</td>
<td>Improvement</td>
</tr>
<tr>
<td>3 Credit management</td>
<td>Upward trend</td>
<td>No trend</td>
<td>No trend</td>
</tr>
<tr>
<td>4 Operation efficiency</td>
<td>Upward trend</td>
<td>Upward trend</td>
<td>Improvement</td>
</tr>
<tr>
<td>5 Financial profitability</td>
<td>Upward trend</td>
<td>Upward trend</td>
<td>Improvement</td>
</tr>
<tr>
<td>Overall performance</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Financial viability is there
- Performance in terms essence of role of RRB needs improvement as:
  - Ratio of Savings and Current account on decline
  - CDR is on decline
  - Branch network to rural and semi-urban area is on decline
8.2.4 Comparison of Performance of three RRBs in Gujarat

Branch expansion and its effectiveness

Table 8.4

Table showing Market share index of Branch network of RRBs in Gujarat.

<table>
<thead>
<tr>
<th>Year ending 31st March</th>
<th>BGGB %</th>
<th>DGGB %</th>
<th>SBG%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>32.99</td>
<td>33.50</td>
<td>33.51</td>
</tr>
<tr>
<td>2007</td>
<td>32.65</td>
<td>33.68</td>
<td>33.32</td>
</tr>
<tr>
<td>2008</td>
<td>31.93</td>
<td>35.15</td>
<td>34.12</td>
</tr>
<tr>
<td>2009</td>
<td>31.73</td>
<td>34.38</td>
<td>34.92</td>
</tr>
<tr>
<td>2010</td>
<td>30.96</td>
<td>33.57</td>
<td>35.73</td>
</tr>
<tr>
<td>2011</td>
<td>30.04</td>
<td>32.51</td>
<td>36.53</td>
</tr>
<tr>
<td>2012</td>
<td>30.20</td>
<td>32.45</td>
<td>37.34</td>
</tr>
<tr>
<td>2013</td>
<td>28.54</td>
<td>33.58</td>
<td>38.14</td>
</tr>
<tr>
<td>Trend</td>
<td>Decline</td>
<td>No trend</td>
<td>Upward trend</td>
</tr>
</tbody>
</table>

As the Table 8.4 shows the market share of SGB is highest, followed by DGGB and BGGB.

As per ANOVA analysis, the market of SGB is significantly higher than BGGB. Also the market share of DGGB is significantly higher than BGGB.

So in terms of market share SGB and DGGB are leading both not having statistically significant difference. BGGB is not at par with other two RRBs namely SGB and DGGB.

However, in terms of branch network in semi urban and rural areas and opening branch in unbanked area all the three banks performance is not significantly different. This is the area where it needs improvement to serve the purpose of financial inclusion by RRBs in Gujarat.

Deposit mobilization and its effectiveness

- In terms of market share of deposit mobilization by RRBs in Gujarat SGB has significantly higher share than DGGB but BGGB and DGGB are at par.
• The mobilization of Fixed Deposits is higher for SGB than BGGB and DGGB. However DGGB and BGGB are at par.

• Similarly, the mobilization of savings deposits is higher for SGB than BGGB and DGGB. However DGGB and BGGB are at par.

• However, the mobilization of current deposits is lower for SGB than BGGB and whereas higher of SGB than DGGB. DGGB and BGGB are at par.

• The incidence of deposit per account is significantly higher in SGB than BGGB and DGGB. However, it is at par for BGGB and DGGB.

Overall,

- SGB in leading in terms of market share of deposit mobilization.
- Fixed deposit mobilization of SGB is higher than other two banks.
- Share of savings deposit is lower of SGB than BGGB but higher than DGGB, meaning BGGB doing better in this aspect.
- Incidence of deposit per account is higher of SGB.

Except in current saving Deposit mobilization, SGB is better in all other aspects namely market share, fixed deposit mobilization and current deposits. In case of savings deposit mobilization BGGB is better than SGB.

Credit management

• The market share of credit facilities extension is significantly higher for SGB than both BGGB and DGGB. The share of DGGB is significantly higher than BGGB. So SGB is at no. 1, DGGB at 2 and BGGB at 3 in credit facilities extension by RRBs in Gujarat.

• Credit deposit ratio is significantly lower for BGGB and DGGB than SGB. However BGGB and DGGB are at par in CDR performance.

• The Recovery of credit performance is at par for SGB and DGGB but BGGB’s performance is significantly lower than both SGB and DGGB.

Overall,

- SGB is better in credit expansion in terms of spread followed by DGGB.
- SGB is better in CDR.
- SGB and DGGB are better in credit recovery than BGGB.
Operational Efficiency

In terms of operational efficiency all the three banks show upward trend so far the Spread, Burden; profit (SBP) ratio is concerned. The other ratios do not show any particular trend. Rather they fluctuate from year to year.

The ANOVA analysis does not show significant difference in this aspect. So it can be concluded that the three RRBs are more or less showing satisfactory results in terms of operational efficiency.

Financial Profitability

So far overall financial profitability, expressed in Return on working funds (RWF) ratio is concerned the three RRBs do not show statistically significant difference.

The significant difference is found as follows:

- Miscellaneous income to working funds significantly higher for SGB than DGGB, meaning SGB exploring options of value added Banking services in better way.
- Cash to working funds (CWF) is significantly higher for DGGB than BGGB, requiring DGGB to work upon reducing this ratio to improve productivity of working funds.
- Accumulated profit to working funds (APW) is significantly higher for SGB as well DGGB than BGGB, meaning BGGB to reconsider the ploughing back of profit policy.
- Borrowings and deposits to working funds significantly higher for SGB than BGGB as well DGGB and higher for BGGB than DGGB meaning SGB and BGGB showing higher financial risks.

Overall, the productivity wise no difference is found in all the RRBS.

Difference found is in Accumulated profit to working funds (higher in SGB and DGGB than BGGB); Borrowing and deposits to working funds (higher in SGB than BGGB but BGGB’s higher than DGGB); Cash to working funds (higher in DGGB than BGGB);
Table 8.5
Table showing productivity difference in RRBs of Gujarat

<table>
<thead>
<tr>
<th>Positive for Financial Profitability</th>
<th>Negative for financial profitability</th>
</tr>
</thead>
<tbody>
<tr>
<td>APW (higher in SGB and DGGB than BGGB)</td>
<td>BWF (higher in SGB than BGGB but BGGB’s higher than DGGB)</td>
</tr>
<tr>
<td></td>
<td>CWF (higher in DGGB than BGGB)</td>
</tr>
</tbody>
</table>

Table 8.6
Table showing comparative Performance of three RRBs

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Parameter</th>
<th>SGB and BGGB</th>
<th>SGB and DGGB</th>
<th>DGGB and BGGB</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Branch Expansion and its effectiveness</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>MSI</td>
<td>Higher in SGB</td>
<td>-</td>
<td>Higher in DGGB</td>
<td>SGB and DGGB higher than BGGB</td>
</tr>
<tr>
<td></td>
<td>RBB</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Need to work on financial inclusion by all three RRBs</td>
</tr>
<tr>
<td></td>
<td>RSB</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Need to work on financial inclusion by all three RRBs</td>
</tr>
<tr>
<td>2</td>
<td>Deposit mobilization</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>DMB</td>
<td>-</td>
<td>Higher in SGB</td>
<td>-</td>
<td>SGB leading</td>
</tr>
<tr>
<td></td>
<td>RFD</td>
<td>Higher in SGB</td>
<td>Higher in SGB</td>
<td>-</td>
<td>SGB leading</td>
</tr>
<tr>
<td></td>
<td>RSD</td>
<td>Higher in SGB</td>
<td>Higher in SGB</td>
<td>-</td>
<td>SGB leading</td>
</tr>
<tr>
<td></td>
<td>RCD</td>
<td>lower in SGB</td>
<td>lower in SGB</td>
<td>-</td>
<td>BGGB and DGGB doing better than SGB</td>
</tr>
<tr>
<td></td>
<td>IDA</td>
<td>Higher in SGB</td>
<td>Higher in SGB</td>
<td>-</td>
<td>SGB doing better</td>
</tr>
<tr>
<td>3</td>
<td>Credit management</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>MCR</td>
<td>Higher in SGB</td>
<td>Higher in SGB</td>
<td>Higher in DGGB</td>
<td>SGB rank 1 DGGB rank 2 BGGB rank 3</td>
</tr>
<tr>
<td></td>
<td>CDR</td>
<td>lower in BGGB</td>
<td>lower in DBBG</td>
<td>-</td>
<td>SBG doing better other two RRBs need to improve</td>
</tr>
<tr>
<td></td>
<td>RPR</td>
<td>lower in BGGB</td>
<td>-</td>
<td>lower in BGGB</td>
<td>BGGB need to improve</td>
</tr>
</tbody>
</table>
### 4. Operational Efficiency

<table>
<thead>
<tr>
<th>SBP</th>
<th>BRP</th>
<th>BRV</th>
<th>MPR</th>
<th>OCR</th>
<th>AIR</th>
<th>OCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

No significant difference all 3 RRBs doing satisfactory

### 5. Financial Profitability

<table>
<thead>
<tr>
<th>RWF</th>
<th>IWF</th>
<th>MWF</th>
<th>CWF</th>
<th>APW</th>
<th>BFW</th>
<th>IEW</th>
<th>MEW</th>
<th>OEW</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>-</td>
<td>Higher in SGB</td>
<td>-</td>
<td>SGB doing better than DGGB in other income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Overall no difference in financial profitability bearing the following points/ ratios

8.3 Implications of the study

This study has been undertaken to see the performance of three RRBs in terms of five aspects of performance mainly divided into 1. Whether it is financial profitable or not 2. Whether they extend the financial inclusion 3. What is the effectiveness of banking activities by RRBs.

The results indicate that the three RRBs are 1. Financially viable 2. The financial inclusion is far below the expectations from RRBs as it was originally envisaged and 3. Deposit mobilization and Incidence of deposits per account (IDA) increasing but mainly from Fixed Deposits and not Savings and Current accounts, meaning still not working on spread of banking for small savers the original objectives of RRBs. Similarly bearing SGB the CDR is very low meaning credit facilities not extended to rural poor as expected.
There is a lot to be done by RRBs in Gujarat to serve the rural poor in fulfilling the objectives of RRBs.

This needs 1. Policy level changes to encourage RRBS to open branches in unbanked areas in financially viable way and 2. RRBs level change by adopting strategy that improve CDR, increase non banking income, ploughing back of income, opening more savings and current account and as suggested in above paragraphs.

8.4 Contribution of the study:

The findings of the study are in line with earlier studies showing the findings that lower CD ratio has been matter of concern (Meenu Agrawal and Dipto Tomar 2009, Prabha Singh et.al. 2009, Hemlata and Poonam Singh 2009); concern for extending services of RRBs to unbanked areas (Hemlata and Poonam Singh 2009, Meenu Agarwal and Dipto Tomar 2009); treating RRBs in the same line as commercial banks (P. A. Steeven Raj 2009).

8.5 Suggestions

Baroda Gujarat Gramin Bank

1. The percentage of branches of BGGB to total branches of RRBs in Gujarat has declining trend. It should open more branches in rural and unbanked areas to serve the purpose of financial inclusion.

2. Bank should make more attempts to achieve maximum savings and current deposits from their account holders, as it helps the rural poor to get habit of small savings and banking.

3. Bank should try to improve market share index and credit deposits ratio. Low Credit deposit ratio is a matter of concern for bank. Bank shall evolve strategies to increase CDR up to 70 to 80%.

4. The performance of BGGB in terms of operational profitability is improving over the period of time. However, bank should try to decrease burden responsiveness, other cost responsiveness and operating cost responsiveness.

5. High ratio of borrowings and deposits involves financial risk. Bank needs to evolve strategy to reduce the ratio to certain level.
Dena Gujarat Gramin Bank

1. The branch network of Dena Gujarat Gramin Bank has stable during the period of the study. Bank should make more efforts to open more branches in rural and unbanked areas.
2. Bank should make more attempts to achieve maximum savings deposits and current deposits from their account holders, as it helps the rural poor to get habit of small savings and banking.
3. Bank should try to improve market share index and credit deposits ratio. Low Credit Deposit Ratio is a matter of concern for bank. Bank shall evolve strategies to increase CDR ratio up to 70 to 80%.
4. The performance of DGGB in terms of operational profitability is improving over the period of time. However, bank should try to decrease burden responsiveness, other cost responsiveness and operating cost responsiveness.
5. High ratio of borrowings and deposits involves financial risk. Bank needs to evolve strategy to reduce the ratio to certain level.

Saurashtra Gramin Bank

1. The branch network of Saurashtra Gramin Bank was stable during the period of the study. Bank should make more efforts to open more branches in rural and unbanked areas.
2. Bank should make more attempts to achieve maximum savings deposits and current deposits from their account holders, as it helps the rural poor to get habit of small savings and banking.
3. Bank should try to improve market share index and credit deposits ratio. Low Credit Deposit Ratio is a matter of concern for bank. Bank shall evolve strategies to increase CDR up to 70 to 80%.
4. The performance of SGB in terms of operational profitability is improving over the period of time. However, bank should try to decrease burden responsiveness, other cost responsiveness and operating cost responsiveness.
5. High ratio of borrowings and deposits involves financial risk. Bank needs to evolve strategy to reduce the ratio to certain level.
On the basis of above findings following suggestions are offered for formulating a rural banking policy it is hoped that these suggestions will go a long way in improve working of RRBs:

1. RRBs are facing competition with post office, co-operatives and non banking financial companies. One reason of attraction of these institutions is that of return. RRBs should also provide good rate of return on their deposits.¹

2. RRBs branch should be allowed to finance within a block rather than a few villages. This will increase its business and include healthy competition amongst rural branches of other banks.²

3. To avoid competition with commercial banks in regard to deposit mobilization the RRBs should convince the rural masses and show their superiority over commercial banks.³

4. RRBs staff should have technical knowledge of agriculture, rural crafts and artisans as well understanding rural credit system and environment with aptitude for working in rural areas. For this purpose RRBs should provide training to their staff according to requirements and recruit only those persons who are capable to do work according to above requirements. These personnel should use regional language in dealing with customers.⁴

5. Any credit program launched for weaker sections should have consumption credit component enabling them to be away from the money lender. This will also stop diversion of loan amount to unproductive program.⁵

6. With credit and savings scheme RRBs should be involved in group liability, insurance against risk and productive employment to generate income for landless labourers and poor rural women. Self help groups (SHGs) may be helpful for providing credit facilities to individuals. These SHGs which work devotedly for the rural people should also be involved in every stage of the project cycle i.e. from project identification beneficiary selection, appraisal right up to the evaluation stage.⁶

7. RRBs are facing competition with rural branches of commercial banks. Commercial banks work in the same area of operation and provide services to big farmers. Generally these banks do not provide loans to small and marginal farmers, rural artisans and landless labourers. To avoid unnecessary competition, RBI and sponsor banks should make a policy for transfer of
business from rural branches of commercial banks to RRBs. This process would have two fold benefits. On the one hand, it will provide business of rich farmers to RRBs to increase the profit and on the other hand, avoid wasteful competition with commercial banks vii.

8. Strategic micro-finance plan NABARD support: RRBs have the potential and capability to emerge as niche operators in micro finance. They are playing a major role in the SHG-Bank Linkage Programme especially also as SHPIs. It is significant that as an institution they have expertise and potential to fulfill both the requirements of SHGs – formation plus nurturing and financial service provisions. Their dual role has special meaning in areas which face severe financial exclusion and which do not have a sufficient presence of well performing NGOs viii.

9. Separate credit plan for excluded Regions: The committee recommends that RRBs operating in predominantly tribal areas and having high levels of exclusion may prepare annual credit plans having a separate components for excluded groups, which would integrate credit provision with promotional assistance such as agricultural services and BDSs for the farm and non-farm sectors respectively including entrepreneurship development and formation and strengthening of producer’s organizations like dairy cooperatives, refinance and promotional support may be provided by NABARD to RRBs on a large scale for implementation of this credit plans ix.

10. Computerization: With a view to facilitate the seamless integration of RRBs with the main payment system, there is need to provide computerization support to them. Bank will be eligible for support from the financial inclusion fund on a matching contribution of 50% in regard to districts other than tribal district and 75% in case of branches located in tribal districts under the tribal sub-plan x.

11. With increasing complexity of macro-economic management the RBI needs to confine itself to a regulatory role for all financial institutions, including the rural ones. The supervisory role of rural financial institutions needs to be restored to the RBI for effective monitoring and control. Cash Reserve Ratio and Statutory Liquidity Ratio requirements of RRBs and rural Specific Business Units need to be different from the dispensation given to other commercial bank xi.
12. Minimum benchmark of credit-deposits ratio of 60 percent needs to be insisted upon for each bank/RRB in every rural district of the country to ensure adequate credit flow to the rural and semi urban sectors.

8.6 Area of further study

To study the performance of Regional Rural Banks in Gujarat, only post merger period was taken into consideration for this study. There are three Regional Rural Banks in Gujarat i.e. Baroda Gujarat Gramin Bank, Dena Gujarat Gramin Bank and Saurashtra Gramin Bank, Co-Operative Banks, schedule commercial banks and informal agencies in the rural area for providing loans and advances to rural people. So the study can be extended to these agencies and thus, the topics for further study can be framed as under.

1. Performance of primary co-operative societies and RRBs in rural credit in Gujarat.
2. Role of informal institutions in rural credit of Gujarat.
3. Role of NABARD in Rural Development in Gujarat.

8.7 Conclusion

Depending on the context and applications, the term ‘performance’ may have different connotations. In the present study, the performance of Regional Rural Banks in Gujarat, in post merger period, an attempt has been made to analyze the performance in terms of certain defined parameters in five parts like branch expansions, deposit mobilizations and its effectiveness, credit management, operational efficiency and financial profitability made by these three banks in Gujarat. The performance of Regional Rural Banks in Gujarat improved in post merger period. The branch network has been increased in all three banks in Gujarat. During post merger period, there has been increase tremendously in deposit mobilization and its effectiveness. Credit management has been not effectively play important role in rural areas. During the post merger period, operational efficiency and financial profitability also improved in all three banks in Gujarat. RRBs in Gujarat should extend their services in to un-banked areas and increase their performance. The findings may be of considerable use to rural banking institutions and policy makers in developing countries and to academic researchers in the area of banking performance evaluation.
End Notes

i Agrawal Babita and H kumar, Regional Rural Banks as Rural Development in India, New Century Publications, New Delhi, 2009, p.20

ii Ibid, p.20

iii Ibid, p.20

iv Ibid, p.20

v Ibid, p.20

vi Ibid, p.20

vii Ibid, p.20


ix Ibid, p.150

x Ibid, p.150

xi Ibid, p.146

xii Ibid, p.147