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## **A Study on Credit – Deposit Ratio of Regional Rural Banks (RRBS) of India – A Comparative Study on Maharashtra State.**

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### **ABSTRACT**

Banking assiduity is one of the introductory instruments of profitable growth. It should be on a sound footing as it constitutes an important link in colorful socio-profitable conditioning. A strong banking sector is important for a flourishing frugality. The failure of the banking sector in any country may have an adverse impact on other sectors.

Regional Rural Banks are the banking associations being operated in different countries of India. They've been created to serve the pastoral areas with banking and fiscal services. In order to support the pastoral banking sector in recent times, Regional Rural Banks have been set up each over the country with the ideal of meeting the credit requirements of the most under privileged sections of the society.

This exploration end is that to dissect the fiscal performance of RRBs grounded on the Deposit, Credits and Credit- Deposit rate. The study is grounded on secondary data collected from the websites of the 2 RRBs positioned in Maharashtra State, reports published by NABARD and Reserve Bank of India. This exploration paper worked on measuring Financial Performance of Regional Rural Banks of India located in Maharashtra State. They're 2 Regional Rural Banks in Maharashtra state viz Vidharbha Konkan Gramin Bank( VKGB) and Maharashtra Gramin Bank( MGB).

The study covers the period of five times i.e. 2018- 2019 to 2022-2023. The Statistical Tools like Mean and Standard diversions is used to dissect the data and minimal and maximum have also been stationed to dissect the data.

Keywords Banking, Rural Banking, Financial Performance, Indian Banking, Bank Performance .

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### **1. Introduction :**

Regional Rural Banks have been in actuality for around 36 times in the Indian fiscal scene. The institution of Regional Rural Banks( RRBs) was created to meet the redundant demand for institutional credit in the pastoral areas, particularly among the economically and socially marginalized sections.

The Banking Commission( 1972) recommended establish an indispensable institution for pastoral credit and eventually Government of India established Regional Rural Banks as a separate institution principally for pastoral credit on the base of the recommendations of the Working Group under the Chairmanship of Shri M. Narashimham. In order to give access to low- cost banking installations to the poor, the Narashimham Working Group( 1975) proposed the establishment of a new set of banks, as institutions which “ combine the original sense and the familiarity with pastoral problems which the cooperatives retain and the degree of business association, capability to rally deposits, access to central plutocrat requests and modernized outlook which the marketable banks have ”. latterly, the Regional Rural Banks were setup through the promulgation of RRB Act of 1976. The RRBs Act, 1976 shortly sums up this overall vision tosub-serve both the experimental and the redistributive objects.

The RRBs were established “ with a view to developing the pastoral frugality by furnishing, for the purpose of development of husbandry, trade, commerce, assiduity and other productive conditioning in the pastoral areas, credit and other installations, particularly to small and borderline growers, agrarian labourers, crafters and small entrepreneurs, and for matters connected therewith and incidental thereto ”.

Their equity is held by the Central Government, Concerned State Government and the Sponsor Bank in the proportion of 50:15:35 independently.

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### **2. Characteristics and Tasks of Regional Rural Banking for Rural Development :**

Regional Rural Banks were established with the following liabilities in mind

- a) Taking the banking services to the doorstep of pastoral millions, particularly in heretofore unbanked pastoral areas.

- b) Identify the fiscal need especially in pastoral areas.
- c) Making available institutional credit to the weaker section of the society who had in far little or no access to cheaper loans and had ipso facto been depending on the private plutocrat lenders.
- d) To enhance banking & backing installations in backward or unbanked areas.
- e) rally pastoral savings and direct them for supporting productive conditioning in pastoral areas.
- f) To give finance to the weaker sections of society like small growers, pastoral crafters, small patron, pastoral labourers' etc.
- g) To produce a supplementary channel for the inflow the central plutocrat request to the pastoral areas through refinances.
- h) To give finance to united societies, Primary Credit societies, Agrarian marketing societies.
- i) Generating employment openings in pastoral areas and bringing down the cost of furnishing credit to pastoral areas.
- j) Enhance & ameliorate banking installations to semi civic, pastoral & other untapped request. With these objects in mind, knowledge of the original language by the staff is an important qualification.

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### 3. Literature Review :

A number of studies have been conducted to see the functioning and performance of indigenous pastoral bank in the country. The literature available in the working and performance of RRBs in India is a little limited. The literature attained by investigators in the form of reports of colorful panels, commissions and working groups established by the Union Government, NABARD and Reserve Bank of India, the exploration studies, papers of experimenters, bank officers, economists and the commentary of profitable judges and news is compactly reviewed in this part. Some of the affiliated literatures of reviews are as follows.

NABARD( 1986) published a study on RRBs viability which was conducted by Agriculture Finance Corporation in 1986 on behalf of NABARD. The study revealed that viability of RRBs was basically dependent upon the fund operation strategy, periphery between coffers mobility and their deployment and on the control exercised on current and unborn costs with advances. The proportion of the establishment costs to total cost and expansion of branches were the critical factors, which affected their viability. The study further concluded that RRBs incurred losses due to blights in their systems as similar, there was need to amend these and make them feasible. The main suggestions of the study included enhancement in the structure installations and opening of branches by marketable banks in similar areas where RRBs were formerly in function.

Jasvir S. Sura( 2008) the study shows that the overall position of RRBs in India is n't relatively encouraging. The poor credit- deposit rate is still making dent on the improvable functioning of RRBs. Since the RRB is supposed to be a bank for poor people, its presence in all the countries of country especially in underdeveloped States can make effects more. The government should spread the branches of RRBs at lawn root position to give similar banking service to the indigent pastoral people. also, it's the responsibility of the bank operation and the patronized bank to take corrective measures to raise the credit- deposit rate of the bank that would make RRBs applicable in the pastoral India

In the year-1989 for the first time, the conceptualization of the entire structure of Regional Rural Banks was challenged by the Agricultural Credit Review Committee( Khusro Committee), which argued that these banks have no maintainable cause for continuance and recommended their combinations with guarantor banks. The Committee was of the view that “ the sins of RRBs are aboriginal to the system andnon-viability is erected into it, and the only option was to combine the RRBs with the guarantor banks. The ideal of serving the weaker sections effectively could be achieved only by tone- sustaining credit institutions. ”

Chauhan( 1991) studied the vacuity and acceptability of credit, its use by borrowers and impact on pastoral income and savings with specific reference to the operations of RRBs. Data were collected from four RRB branches aimlessly named in the Etawah quarter of Uttar Pradesh. Borrowers were divided into four orders small and borderline growers, landless labours and pastoral handworker and small dealers. Results for the time 1984/85 showed that the vacuity of credit per borrower was the loftiest for landless labour, still, it was set up that the demand for loans exceeded the force by about eight per cent for the other three orders of borrowers. Further, it was set up that 35 per cent of total loan were put to unproductive use to the critical consumption needs particularly in landless labour and a veritably little supernumerary income was within the sample ranging from 7 to 16 per cent for the average ménage. It was credit conditioning and schemes to encourage the rallying of saving among the pastoral poor.

The Committee on Financial Systems,( 1991)( Narasimham Committee) The study has shown stress on the poor fiscal health of the RRBs to the rejection of every other performance index. 172 of the 196 RRBs were recorded empty with an aggregate loan recovery performance of 40.8 percent.( June 1993). The low equity base of these banks( paid up capital of Rs. 25 lakhs) did n't cover for the loan losses of utmost RRBs. In the case of a many RRBs, there had also been an corrosion of public deposits, besides capital. In order to conduct viability to the operations of RRBs, the Narasimham Committee suggested that the RRBs should be permitted to engage in all types of banking business and should n't be forced to circumscribe their operations to the target groups, a offer which was readily accepted. This recommendation marked a major turning point in the functioning of RRBs.

Jai Prakash A. K.( 1996) conducted a study with the ideal of assaying the part of RRBs in Economic Development and revealed that RRBs have been playing a vital part in the field of pastoral development. also, RRBs were more effective in disbursal of loans to the pastoral borrowers as compared to

the marketable banks. Support from the state Governments, original participation, and proper supervision of loans and opening civic branches were some way recommended to make RRBs further effective.

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#### 4. Objective of the study :

- To evaluate the Financial Performance of 2 Regional Rural Banks in Maharashtra State with reference to
  - Credit,
  - Deposits and
  - Credit-Deposit Ratio.

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#### 5. Hypothesis of the study :

- The RRBs in Maharashtra State have made a substantial measurable progress during Pre and Post Covid period.
- The functional performance is highly considerable.

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#### 6. PROBLEMS OF THE STUDY :

- First and important problem of the research work is analysis of financial data.
- Data collection from respective regional rural bank, NABARD and RBI was problematic to be obtained.

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#### 7. SIGNIFICANCE/ IMPORTANCE OF THE STUDY :

- The research study is significant to evaluate financial performance of RRBs in Maharashtra State.
- The results/ findings of the present study are useful to the policy planners in their efforts to improve the working of the RRBs in Maharashtra , Sponsor Banks of these RRBs and NABARD.

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#### 8. SCOPE AND COVERAGE OF THE STUDY :

- it covers only RRBs situated in Maharashtra State.
- The study covers a specific period of 2018-19 to 2022-23
- There is function evaluation of performance of 2 RRBs in Maharashtra State.

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#### 9. AREA OF THE STUDY :

- Maharashtra State only.

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#### 10. Research Methodology :

- Research Design and Data Collection Method:
- Research study used here is descriptive researches design. In research paper is an effort is made to assess and evaluate the financial performance of 2 regional rural banks in Maharashtra State.
- The study is based on secondary data collected from these 2 RRBs websites, their financial annual reports , reports published by Reserve Bank of India and the NABARD.

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#### 11. SCOPE AND COVERAGE OF THE STUDY :

The study covers the period of 5 years i.e. 2019-2020 to 2022-2023 of the 2 RRBs in Maharashtra state .

The Statistical Tools like Mean and Standard Deviations is used to analyse the data and Minimum and Maximum have also been deployed to analyse the data.

## 12. Data Analysis :

Financial performance analysis is the mostly made to evaluate the growth, profitability and financial soundness of the bank by identifying the information limited to the financial records and hence below parameters have been considered for Data Analysis in this study :-

- Deposits Of Regional Rural Banks
- Credits Of Regional Rural Banks
- Credit- Deposit Ratio of Regional Rural Banks

**Table 1: Key indicators of Regional Rural Banks in Maharashtra State (as at end of the FY - March)**

Financial Year's	FY 22-23		FY 21-22		FY 20-21		FY 19-20		FY 18-19	
Financial Parameters	MGB	VKGB	MGB	VKGB	MGB	VKGB	MGB	VKGB	MGB	VKGB
No. of Districts	17	17	17	17	17	17	17	17	17	17
No of Branches	421	320	415	320	412	321	412	321	413	326
No. of Staff	1813	1179	1735	1230	1633	1022	1633	1022	1657	1265
Per Branch Productivity	6,004.64	2,856.84	5,471.50	2,725.85	4,981.57	2,389.16	4,000.90	2,181.37	3526.91	2099.21
Per Employee Productivity	1,394.35	775.39	1,308.74	709.16	1,256.83	750.41	946.25	581.46	879.07	540.98

**Table 2 : Nos of Branches of the 2 Regional Rural Banks in Maharashtra State.**

No of Branches	Mean	Standard Deviation	variance	count	sum of squares
MGB	414.6	3.783	14.3	5	57.2
VKGB	321.6	2.509	6.3	5	25.2

**Table 3 : Nos of Staff members of the 2 Regional Rural Banks in Maharashtra State.**

No. of Staff	Mean	Standard Deviation	variance	count	sum of squares
MGB	1694.2	78.5	6163.2	5	24652.8
VKGB	1143.6	115.14	13257.3	5	53029.2

### Interpretation:

From the above table # 2 (nos of branches) , it is clear that MGB has the highest mean and the standard deviation as compared to VKGB. This indicates the MGB Bank has more branches than VKGB in Maharashtra State.

From the above table # 3 ( nos of staff) , it is clear that MGB has the highest mean and VKGB has the standard deviation as compared to MGB. As MGB is more penetrated branches in rural areas and hence their staff numbers are more than VKGB.

**Table 4: State Wise Deposits Of Regional Rural Banks (as at end- March) :**

Deposits	Mean	Standard Deviation	variance	count	sum of squares
MGB	1302688.1	233295.5	54426783000.0	5.0	217707130000.0
VKGB	487124.6	61543.2	3787565500.0	5.0	15150262000.0

**Table 5: State Wise Credits Of Regional Rural Banks (as at end- March)**

Credit	Mean	Standard Deviation	variance	count	sum of squares
MGB	688515.0	209519.0	43898207000.0	5.0	175592830000.0
VKGB	300899.9	44250.7	1958120400.0	5.0	7832481700.0

**Table 6: State Wise Credits – Deposits (CD Ratio) Of Regional Rural Banks (as at end- March)**

Financial Year's	FY 22-23		FY 21-22		FY 20-21		FY 19-20		FY 18-19	
Financial Parameters	MGB	VKGB	MGB	VKGB	MGB	VKGB	MGB	VKGB	MGB	VKGB
CD Ratio	62.27	67.56	54.70	58.30	51.57	58.26	44.27	58.76	46.96	66.10

CD Ratio	Mean	Standard Deviation	variance	count	sum of squares
MGB	51.95	7.04	49.52	5.00	198.09
VKGB	61.80	4.63	21.42	5.00	85.69

**Interpretation:**

- A bank's credit-to-deposit ratio (CD ratio) is a key indicator of its health and liquidity.
- The Credit Deposit Ratio (CDR) measures how much of a bank's deposits are being used for lending, which is the core function of banking.
- A higher ratio shows that a bank is heavily relying on its deposits to fund loans, while a lower ratio suggests less dependency on deposits for lending.
- As per RBI guidelines , the CD (Credit to Deposit ratio) should be less than 80% , which indicates proper use of deposits in these regions.
- The above table demonstrates that the mean of Credit Deposit Ratio in VKGB is more than MGB but the Standard Deviation is highest of MGB.

**13. Findings of Study :**

- Table # 2 (nos of branches), it is clear that MGB has the highest mean as compared to VKGB and from Table # 3 (nos of staff) , it is clear that VKGB has the highest Standard deviation compared to MGB.
- It is clear that MGB has the highest mean as compared to VKGB and the MGB has the highest deposits as the Standard deviation is high when compared with VKGB.
- It is clear that MGB has the highest mean as compared to VKGB and MGB has the highest deposits as the Standard deviation is high when compared with VKGB.
- It demonstrates that the mean of Credit Deposit Ratio of VKGB is more than 60% and the Standard Deviation is highest of MGB , which resembles that the VKGB have more dependence on deposits for lending, because as per RBI guidelines generally CD ratio should be less than 70% as a higher ratio indicates more dependence on deposits for lending and vice-versa.
- It is clear that the mean and Standard deviation of MGB is highest in comparison to VKGB.
- This study finds that the MGB has a lower ratio which indicates less dependency on deposits for lending when compared to VKGB.

**14. Suggestion:**

1. As observe from the table, VKGB has less branches when compared to MGB and hence VKGB has to open more branches for rural penetration.
2. The branch and staff productivity of VKGB is lesser than MGB over the period of study.
3. The VKGB has failed to mobilize accounts within themselves as deposits here are very low, therefore an effective link should be maintained between the RRBs and PACS and the farmers' service societies also proper co-ordination between officials of the district credit planning committees and the RRBs is essential.

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**15. CONCLUSION:**

1. The present study attempts to the financial performance of regional rural banks (RRBs) in Maharashtra State ”
2. The study comprises 2 RRBs of Maharashtra State and the financial performances of these banks are analysed using the financial data from RRBs using Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, RBI, various issues.
3. The study found that MGB is performing relatively better and they are financially sound than comparing to VKGB , showing leaps and bounds throughout the study period. With respect to Credit, Deposits and Credit-Deposit Ratio.

**16. REFERENCE:**

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