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# Performance of RRBs in pre-Merger and post-Merger period

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## Abstract

*Regional Rural Banks are established under the provisions of an ordinance promulgated on 26th September, 1975 and the RRB Act, 1976 with an objective to ensure sufficient institutional credit for agriculture and other rural sectors. Reforms and mergers introduced by the Government of India in consultation with Reserve Bank of India (RBI) and National Bank of Agriculture and Rural Development (NABARD) in the year 1994-95 to 2005-06. So, there is a need to study the growth and financial performance of Regional Rural banks in India in pre-Merger & post-Merger period. The study is based on secondary data collected from annual reports of NABARD and RBI. In order to provide access to low-cost banking facilities to the poor rural banking in India was started. Rural banks in those days mainly focused upon the Argo sector. RRBs in India penetrated every corner of the country and extended a helping hand in the growth process of the country. This research aim is that to analyze the financial performance of RRBs before amalgamations and after amalgamations. As spread ratio comprises of Interest income earned and interest income expensed divided by total assets. The other financial indicators such as no. of RRBs, branches, district coverage, deposits and advances have shown growth but it is not significant growth. The Internal working group of the Reserve Bank of India (RBI) suggested that merger and amalgamation of Regional Rural Banks (RRBs) may help in improving their health and viability, even as it sought to bring in new banks both public and private as sponsors of the merged RRBs.*

***Keywords***: *RRBs, pre-Merger, post-Merger, Banking, Growth Rate, Profitability Ratio etc.*

## 1. Introduction

The nationalization of the banks in 1969 boosted the confidence of the public in the Banking system of the country. However, in the early 1970s, there was a feeling that even after nationalization, there were cultural issues which made it difficult for commercial banks, even under government ownership, to lend to farmers. Rural developments are an integral part of economic development of the country. 60 percent of total population lives in rural area; they composed of agricultural producers, tenant cultivators, landless labourers, village artisans, and retail traders, the socio-economic backwardness, unemployment and under employment are the inherent features of rural population. The Government of India promulgated an ordinance on September 26, 1975, to set up Regional Rural Banks throughout the country; the ordinance was replaced by the Regional Rural Banks Act, 1976. The Banking Commission (1972) recommended establish an alternative institution for rural credit and ultimately Government of India established Regional Rural Banks as a separate institution basically for rural credit on the basis of the recommendations of the Working Group under the Chairmanship of Shri M. Narasimham. Regional rural Banks are specially designed financial institutions run under the guidance of NABARD and the sponsor commercial banks, spread in rural areas with the close network of branches serving a various district of the country [1]. The main objective behind starting of RRBs was to develop agriculture, trade, commerce, industry and other productive activities in the rural areas. To provide easy, cheap and sufficient, credit to the rural poor and backward classes and save them from the clutches of money lenders. In this way, this study makes an effort to evaluate the performance of Regional rural Banks in India. Priority Sector Lending is an important role given

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by the Reserve Bank of India (RBI) to the banks for providing a specified portion of the bank lending to few specific sectors like agriculture or small-scale industries [2]. This is essentially meant for an all-round development of the economy as opposed to focusing only on the financial sector. The first five RRBs were set up in five States in Haryana, West Bengal, Rajasthan, with one each two in Uttar Pradesh, which were sponsored by different commercial banks. These banks covered 11 districts of these five states. The first five Regional Rural Banks are as follows;

1. Prathama Bank and Gorakhpur kshetriya Gramin Bank in Uttar Pradesh
2. Haryana Krishi Gramin Bank in Haryana
3. Gour Gramin Bank in West Bengal
4. Jaipur-Nagpur Anchalik Gramin Bank, Rajasthan

## 2. Reform & Merger Process

In the wake of introduction of financial sector reforms in 1991-92, the commercial viability of RRBs emerged as the most crucial factor in deciding about their desired role due to their limited business flexibility with hardly any scope of expansion/diversification, smaller size of loans with higher exposure to risk-prone advances and professional efficiency in financial deployment. As part of the comprehensive restructuring programmed, recapitalization of RRBs was initiated in the year 1994-95. The process continued till 1990-00 and covered 187 RRBs with aggregate financial support of Rs.2188.44 crore.

In 2005-06, the Government of India initiated the process of structural consolidation of RRBs by amalgamating RRBs sponsored by the same bank within a State as per the recommendations of the Vyas Committee (2004). The amalgamated RRBs were expected to provide better customer service due to better infrastructure, computerization of branches, pooling of experienced work force, common publicity, marketing efforts etc., and also derive the benefits of a large area of operation, enhanced credit exposure limits and more diverse banking activities. As a result of the amalgamation, the number of RRBs was reduced from 196 to 86 as on 31st March, 2009. Thus, under the amalgamation process, 145 RRBs have been amalgamated to form 45 new RRBs. At present there are 43 RRBs in India. But I have considered up to the year 2018-19 for keeping a parity of number of years before amalgamation (13 years) and after amalgamation (13 years).

## 3. Literature Review

- **Dr. Y.G. Baligatti (2016)** study reveals that RRBs have taken initiation to expand their branch network and extending their area of operations, it is witnessed that though the RRBs are successful in providing banking services to unbanked area there is an imbalance growth of RRBs where prominent backward area has been neglected in providing bank credit.
- **Dr. B.K. Jha (2008**) determined the effective banking services in rural areas can be able to promote the rural entrepreneurship and improve the picture of rural India.
- **Professor Dilip Khankhoje and Dr. Milind Sathye (2008)** have analyzed to measure the variation in the performance in terms of productive efficiency of RRBs in India and to assess if the efficiency of these institutions has increased post-restructuring in 1993-94.
- **Syed Ibrahim (2010)** has given that the performance of rural banks in India has significantly improved after amalgamation process which has been initiated by the Government of India.
- **Megha and Aparna Bhatia (2013)** opined that the overall position of Regional Rural Banks in India has improved during the post amalgamation period, though the number of Regional Rural Banks has decreased.
- **Anil Kumar Soni & Abhay Kapre (2012)** pointed out that the RRBs commercial viability still has been questioned due to its limited business flexibility, smaller size of loan & high risk in loan & advances. Rural banks need to remove lack of transparency in their operation which leads to unequal relationship between banker and customer. Banking staff should interact more with their customers to overcome this problem
- **Kanika Krishna and Nancy Sahni (2012)** published "Financial performance evaluation of RRB'S in India" The main objective was to study

the growth-pattern and financial performance of Regional Rural Banks in India. The study conducted was descriptive in nature and data was collected from published annual reports of RBI and NABARD for the period 2006-2012. The study has witnessed positive impact on the financial performance of RRB's due to amalgamation and various other factors.

- **Malhotra (2002)** considering 22 different parameters that impact on the functioning of RRBs for the year 2000, Malhotra asserts that geographical location of RRBs is not the limiting factor for their performance. He further finds that 'it is the specific nourishment which each RRB receives from its sponsor bank, is cardinal to its performance'. In other words, the umbilical cord had its effect on the performance of RRBs.
- **Committee on Financial Systems, 1991 (Narasimham Committee)** RRBs has low earning capacity. They have not been able to earn much profit in view of their policy of restricting their operations to target groups. The recovery position of RRBs is not satisfactory. There are a large number of defaulters. Their cost of operation has been high on account of the increase in the salary scales of the employees in line with the salary structure of the employees of commercial banks**.** In most cases, these banks followed the same methods of operation and procedures as followed by commercial banks. Therefore, these procedures have not found favors with the rural masses. In many cases, banks have not been located at the right place. For instance, the sponsoring banks are also running their branches in the same areas where RRBs are operating.

## 4. Objectives of the Study

- To trace the origin and growth of Regional Rural Bank of India
- To study the physical performance of the Regional Rural Banks of India (Pre & Post merger period)
- To study of the business performance of the Regional Rural Banks of India (Pre & Post merger period)
- To offer Suggestions for further development of Regional Rural Banks of India

## 5. Research Methodology

i. **Area of the study -** Regional Rural Bank

ii. **Scope of the study**

The scope of present study is confined to Regional Rural Banks in India. The study mainly involves the financial performance of Regional Rural Banks in India before and after amalgamation. Similar studies on this line maybe conducted for other banks in India and outside India.

iii. **Data Type**

This study is done on the basis of secondary data published in annual report of RRB and NABARD, is diagnostic and exploratory in nature. It covers 26 years data starting from 1993-1994 to 2018-2019.The amalgamation process started in the year 2005. So, the year 1995-1996 to 2005-2006, 13 years have been considered as premerger period and from 2006-2007 to 2018-2019, 13 years have been considering as post-merger period.

iv. **Data Collection**

The study is based on secondary data which is collected from secondary sources via-various journals, magazine, newspapers and annual reports and websites of regional rural banks and through various search engines.

v. **Tool And Techniques to be used -**

- **Compound Annual Growth Rate**

Compound Annual Growth Rate (CAGR) is the rate of return that would be required for an investment to grow from its beginning balance to its ending balance, assuming the profits were reinvested at the end of each year of the investment's lifespan.

**CAGR= [(EB/BB) ^(1/n)-1]**

where, EB=Ending balance; BB=Beginning balance; n= no. of years

- **Ratio Analysis**

Ratio analysis is a quantitative method of gaining insight into a company's liquidity, operational efficiency, and profitability by studying its financial statements.

a. Loan to Deposit Ratio:

LDR= (total loan/total deposit) *100

b. Investment to Deposit Ratio:

I-D Ratio= (total investment/total deposit) *100

c. Non-Performing Asset Ratio:

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(NPA* 100) / Loans and Advances

**Correlation (r) -** In Statistics, Correlation or Dependence is any statistical relationship, whether causal or not, between two random variables or bivariate data.

$$r = \frac{n(\Sigma xy) - (\Sigma x)(\Sigma y)}{\sqrt{[n\Sigma x^2 - (\Sigma x)^2][n\Sigma y^2 - (\Sigma y)^2]}}$$

[Here x= Income And y= Expenditure in the Table 5 and, x=Short term loan, And y= Long term loan in Table 6. 1

## 6. Data Analysis and Presentation

Performance of RRB

### 6.1 Branch Expansions

**Table 1 Performance of RRB in Branch Expansion**

| Branch Expansions | | | | | |
|---|---|---|---|---|---|
| Pre-Merger Period | | | Post-Merger Period | | |
| Year | No. of RRB | Branches | Year | No. of RRB | Branches |
| 1993-94 | 196 | 14542 | 2006-07 | 96 | 14520 |
| 1994-95 | 196 | 14509 | 2007-08 | 91 | 14771 |
| 1995-96 | 196 | 14497 | 2008-09 | 86 | 15181 |
| 1996-97 | 196 | 14461 | 2009-10 | 82 | 15480 |
| 1997-98 | 196 | 14475 | 2010-11 | 82 | 16001 |
| 1998-99 | 196 | 14499 | 2011-12 | 82 | 16909 |
| 1999-00 | 196 | 14301 | 2012-13 | 64 | 17856 |
| 2000-01 | 196 | 14311 | 2013-14 | 57 | 19082 |
| 2001-02 | 196 | 14390 | 2014-15 | 56 | 20024 |
| 2002-03 | 196 | 14433 | 2015-16 | 56 | 20059 |
| 2003-04 | 196 | 14446 | 2016-17 | 56 | 20920 |
| 2004-05 | 196 | 14434 | 2017-18 | 56 | 21422 |
| 2005-06 | 133 | 14494 | 2018-19 | 56 | 21732 |
| C.A.G. R | --- | 1.003 | C.A.G. R | - | 0.689 |

**Interpretation -** From the Table 1, during pre-merger period total number of Regional rural banks remain constant at 196 from 1993-94 to 2004-05 but in 2005-06 it was 133. Similarly, number of their branches marginally decreased from 14542 in 1993-94 to 14434 in 2004-05 but in 2005-06 it was 14494 showing C.A.G.R of 1.003 percent. On the other hand, during post merger period total number of Regional rural bank decreased from 96 in 2006-07 to 56 in 2018-19 [3][4]. Similarly , number of their branches increased from 14520 in 2006-07 to 21732 in 2018-19, showing C.A.G.R of 0.689 percent.

### 6.2 Credit & Deposit (Amount in Crore)

**Interpretation -** From the Table 2, the RRBs were conceived to develop rural economy by providing credit and other facilities for the purpose of development of agriculture, trade and other productive activities to the targeted poor people. Table 2 exhibits that Credit & deposit increased from 4626.79 and 6938.14 to 39713 and 71329, but C-D ratio decreased from 66.69 to 55.67 during pre-merger period (year 1993-94 to year 2005-06) and credit and deposit also increased from 48452 and 83143 to 236103 and 434445 but C-D ratio decreased from 58.27 to 54.34 during post-merger period (year 2006-07 to 2018-19) [5].

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**Table 2 Performance of RRB in Credit & Deposit**

| Credit & Deposit [Pre and Post Merger period] | | | | | | | |
|---|---|---|---|---|---|---|---|
| Pre-Merger Period | | | | Post-Merger Period | | | |
| Year | Credit | Deposits | C-D Ratio | Year | Credit | Deposits | C-D Ratio |
| 1993-94 | 4626.79 | 6938.14 | 66.69 | 2006-07 | 48452 | 83143 | 58.27 |
| 1994-95 | 5253.02 | 8826.51 | 59.51 | 2007-08 | 58984 | 99093 | 59.52 |
| 1995-96 | 7505.3 | 14170.96 | 52.96 | 2008-09 | 67802 | 120189 | 56.41 |
| 1996-97 | 8711.82 | 17970.18 | 48.48 | 2009-10 | 82221 | 142980 | 57.5 |
| 1997-98 | 9860.81 | 22189.23 | 44.43 | 2010-11 | 98917 | 166232 | 59.5 |
| 1998-99 | 11355.84 | 27065.74 | 41.96 | 2011-12 | 116385 | 186336 | 62.45 |
| 1999-00 | 13186.15 | 32204.35 | 40.95 | 2012-13 | 139652 | 211488 | 66.03 |
| 2000-01 | 15819.31 | 38272.58 | 41.33 | 2013-14 | 159406 | 239444 | 66.57 |
| 2001-02 | 18629.22 | 44539.15 | 41.83 | 2014-15 | 187843 | 279132 | 67.29 |
| 2002-03 | 22157.85 | 50098.34 | 44.23 | 2015-16 | 180955 | 273018 | 66.27 |
| 2003-04 | 26113.86 | 56350.08 | 46.34 | 2016-17 | 206538 | 313499 | 65.88 |
| 2004-05 | 32870 | 62143 | 52.89 | 2017-18 | 226175 | 371910 | 60.81 |
| 2005-06 | 39713 | 71329 | 55.67 | 2018-19 | 236103 | 434445 | 54.34 |

## 6.3 Investment-Deposit (Amount in Crore)

**Table 3 Performance of RRB in Investment-Deposit**

| Investment-Deposit [Pre and Post Merger period] | | | | | | | |
|---|---|---|---|---|---|---|---|
| Pre-Merger Period | | | | Post-Merger Period | | | |
| Year | Investment | Deposits | I-D Ratio | Year | Investment | Deposit | I-D Ratio |
| 1993-94 | 1038 | 6938.14 | 14.96 | 2006-07 | 45666.14 | 83143 | 54.92 |
| 1994-95 | 1348 | 8826.51 | 15.27 | 2007-08 | 48559.54 | 99093 | 49 |
| 1995-96 | 2879 | 14170.96 | 20.32 | 2008-09 | 65909.92 | 120189 | 54.84 |
| 1996-97 | 3891 | 17970.18 | 21.65 | 2009-10 | 76167 | 142980 | 53.27 |
| 1997-98 | 5280 | 22189.23 | 23.8 | 2010-11 | 86510 | 166232 | 52.04 |
| 1998-99 | 6680 | 27065.74 | 24.68 | 2011-12 | 95974 | 186336 | 51.5 |
| 1999-00 | 7760 | 32204.35 | 24.96 | 2012-13 | 108548 | 211488 | 51.32 |
| 2000-01 | 8800 | 38272.58 | 22.99 | 2013-14 | 139631 | 239444 | 58.31 |
| 2001-02 | 9471 | 44539.15 | 21.26 | 2014-15 | 156780 | 279132 | 56.17 |
| 2002-03 | 17138 | 50098.34 | 34.21 | 2015-16 | 162781 | 273018 | 59.62 |
| 2003-04 | 21286 | 56350.08 | 37.77 | 2016-17 | 169592 | 313499 | 54.09 |
| 2004-05 | 36767.66 | 62143 | 59.17 | 2017-18 | 210984 | 371910 | 56.72 |
| 2005-06 | 41182.45 | 71329 | 57.73 | 2018-19 | 224818 | 434445 | 51.75 |

**Interpretation -** Table 3 exhibits that Investment & Deposit increased from 1038 & 6938.14 to 41182.45 & 71329, and I-D ratio also increased from 14.96 to 57.73 during pre-merger period (year 1993-94 to year 2005-06) and investment & deposit also increased from 45666.14 & 83143 to 224818 & 434445 and I-D ratio decreased from 54.92 to 51.75 during post-merger period (year 2006-07 to year 2018-19).

## 6.4 Priority & Non-Priority Sector of RRB (Amount in Crore)

**Interpretation -** From the information of Table 4, we can see that the two sectors i.e. Priority and Non-Priority sector increased from 3920 crore and 2106 crore to 32453crore and 7259crore during pre-merger period i.e. 1993-94 to 2005-06. On the other hand, during the post-merger period i.e.2006-07 to 2018-19, both the Priority and Non-priority sector increased from 39695 crores and 9965 crores to 227941crore and 24278 crores [6][7].

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**Table 4 Priority & Non-Priority Sector of RRB**

| Priority & Non-Priority Sector of RRB | | | | | |
|---|---|---|---|---|---|
| Pre-Merger Period | | | Post-Merger Period | | |
| Year | Priority Sector | Non-Priority Sector | Year | Priority Sector | Non-Priority Sector |
| 1993-94 | 3920 | 2106 | 2006-07 | 39695 | 9965 |
| 1994-95 | 4317 | 3272 | 2007-08 | 49650 | 11680 |
| 1995-96 | 5231 | 3420 | 2008-09 | 57528 | 12410 |
| 1996-97 | 5299 | 4544 | 2009-10 | 68660 | 14252 |
| 1997-98 | 4361 | 3925 | 2010-11 | 82643 | 17625 |
| 1998-99 | 5333 | 5943 | 2011-12 | 97400 | 20843 |
| 1999-00 | 5460 | 5896 | 2012-13 | 114300 | 25266 |
| 2000-01 | 6226.88 | 6881.96 | 2013-14 | 130215 | 29087 |
| 2001-02 | 4594 | 5977 | 2014-15 | 156310 | 31533 |
| 2002-03 | 10261 | 11897 | 2015-16 | 151364 | 29591 |
| 2003-04 | 11722 | 14393 | 2016-17 | 171373 | 35165 |
| 2004-05 | 16710 | 16161 | 2017-18 | 183533 | 42642 |
| 2005-06 | 32453 | 7259 | 2018-19 | 227941 | 24278 |

## 6.5 Profitability of RRBs (Amount in Crore)

**Table 5 Profitability of RRB**

| Profitability of RRB [Pre and Post Merger period] | | | | | | | |
|---|---|---|---|---|---|---|---|
| Pre-Merger Period | | | | Post-Merger Period | | | |
| Year | Income (x) | Expenditure (y) | Net Profit/ Loss | Year | Income (x) | Expenditure (y) | Net Profit/ Loss |
| 1993-94 | 1209.97 | 1509 | (-299.03) | 2006-07 | 7663 | 7038 | 625 |
| 1994-95 | 1468 | 2055 | (-587) | 2007-08 | 9406 | 8379 | 1027 |
| 1995-96 | 1435.91 | 1968 | (-532.09) | 2008-09 | 11388 | 10053 | 1335 |
| 1996-97 | 1694.14 | 2283.33 | (-589.1) | 2009-10 | 13835 | 11951 | 1884 |
| 1997-98 | 2507.70 | 2464.35 | 43.35 | 2010-11 | 16220 | 14232 | 1988 |
| 1998-99 | 3442.94 | 3195.18 | 247.76 | 2011-12 | 20000 | 18200 | 1800 |
| 1999-00 | 4100.96 | 3672.06 | 428.90 | 2012-13 | 20800 | 18600 | 2200 |
| 2000-01 | 4859.83 | 4259.19 | 600.64 | 2013-14 | 15442.33 | 12654.33 | 2788 |
| 2001-02 | 5564 | 4956 | 608 | 2014-15 | 17804.5 | 14383 | 3421.5 |
| 2002-03 | 5931 | 5407 | 524 | 2015-16 | 20730.11 | 17077.37 | 3652.74 |
| 2003-04 | 6244 | 5475 | 769 | 2016-17 | 22276.36 | 18459.52 | 3816.84 |
| 2004-05 | 6137 | 5387 | 750 | 2017-18 | 41819 | 40317 | 1502 |
| 2005-06 | 6546 | 5929 | 617 | 2018-19 | 43180 | 42893 | 287 |
| Correlation (r) | 0.9943 | | | Correlation (r) | 0.9950 | | |

**Interpretation -** From the Table 5, the break-up of income, expenditure and net profit/loss of Regional Rural Banks of pre- and post-merger period has been given in Table 6.5. The aggregate income, Expenditure and Net Profit or loss of these banks during pre-merger period increased from 1209.97, 1509 and (-299.03) to 6546**,** 5929 and 617 [8][9]. On the other hand, the aggregate income, Expenditure of these banks during post -merger period increased from 7663 and 7038 to 43180 and 42893. But net profit or loss of the RRBs in post -merger period decreased from 625 to 287. The correlation of income and expenditure during pre-merger period was 0.9943 where the correlation of income and expenditure during post-merger period was 0.9950.

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### 6.6 Loan Issued by RRB (Amount in Crore)

**Direct Institutional credit for Agriculture and allied activities**

**Table 6 Loan Issued by RRB**

| Loan Issued by RRB [Pre and Post Merger period] | | | | | |
|---|---|---|---|---|---|
| Pre-Merger Period | | | Post-Merger Period | | |
| Year | Short-Term Loan (x) | Long-Term Loan (y) | Year | Short-Term Loan (x) | Long-Term Loan (y) |
| 1993-94 | 476 | 276 | 2006-07 | 17031 | 3198 |
| 1994-95 | 688 | 395 | 2007-08 | 20377 | 3461 |
| 1995-96 | 849 | 532 | 2008-09 | 22851 | 3648 |
| 1996-97 | 1172 | 575 | 2009-10 | 30529 | 4111 |
| 1997-98 | 1457 | 645 | 2010-11 | 38560 | 5405 |
| 1998-99 | 1750 | 765 | 2011-12 | 47011 | 6048 |
| 1999-00 | 2285 | 700 | 2012-13 | 57757 | 6892 |
| 2000-01 | 3095 | 871 | 2013-14 | 70649 | 7728 |
| 2001-02 | 3810 | 736 | 2014-15 | 84686 | 13151 |
| 2002-03 | 4834 | 1045 | 2015-16 | 98412 | 20384 |
| 2003-04 | 6133 | 1042 | 2016-17 | 98913 | 24360 |
| 2004-05 | 9883 | 2043 | 2017-18 | 10015 | 32170 |
| 2005-06 | 12816 | 2484 | 2018-19 | 137986 | 34950 |
| Correlation(r) | 0.98 | | Correlation(r) | 0.58 | |

**Interpretation -** From the Table 6, the break-up of short-term loan and long-term loan of Regional Rural Banks pre- and post-merger period has been given in Table 6.5. The aggregate short-term loan and long-term loan of these banks during pre-merger period increased from 476 and 276 to 12816 and 2484. On the other hand, the aggregate short-term loan and long-term loan of these banks during post -merger period increased from 17031 and 3198 to 137986 and 34950. The correlation of short-term loan and long-term loan during pre-merger period was 0.98 where the correlation of short-term loan and long-term loan during post-merger period was 0.58 [10][11].

### 6.7 NPA Ratio of RRB(Amount in Crore)

**Table 7 NPA Ratio of RRB**

| NPA Ratio of RRB [Pre and Post Merger period] | | | | | | | |
|---|---|---|---|---|---|---|---|
| Pre-Merger Period | | | | Post-Merger Period | | | |
| Year | Loan & Advances | NPA | NPA Ratio | Year | Loan & Advances | NPA | NPA Ratio |
| 1993-94 | 4626.79 | 2281 | 49.31 | 2006-07 | 48452 | 3178 | 6.55 |
| 1994-95 | 5253.02 | 2339 | 44.53 | 2007-08 | 58984 | 3568 | 6.05 |
| 1995-96 | 7505.3 | 3227 | 43 | 2008-09 | 67802 | 2807 | 4.14 |
| 1996-97 | 8711.82 | 3223 | 37 | 2009-10 | 82221 | 3084 | 3.75 |
| 1997-98 | 9860.81 | 3254 | 33 | 2010-11 | 98917 | 3709 | 3.75 |
| 1998-99 | 11355.84 | 3180 | 28 | 2011-12 | 116385 | 5316 | 4.57 |
| 1999-00 | 13186.15 | 3023 | 22.93 | 2012-13 | 139652 | 8362 | 5.98 |
| 2000-01 | 15819.31 | 2847 | 18 | 2013-14 | 159406 | 9723 | 6.1 |
| 2001-02 | 18629.22 | 3066 | 16.46 | 2014-15 | 187843 | 10573 | 5.63 |
| 2002-03 | 22157.85 | 3200 | 14.44 | 2015-16 | 180955 | 11129 | 6.15 |
| 2003-04 | 26113.86 | 3299 | 12.63 | 2016-17 | 206538 | 16729.58 | 8.1 |
| 2004-05 | 32870 | 2804 | 8.53 | 2017-18 | 226175 | 20582 | 9.1 |
| 2005-06 | 39713 | 2815 | 7.09 | 2018-19 | 236103 | 25263.02 | 10.7 |

**Interpretation -** From the Table 7, the break-up of Non-Performing Assets (NPA) and its relation with loans & advances have been given in Table 6.7. The NPA of these banks was very high during the pre-merger period. It was 2281 crores in 1993-94 being 49.31 percent of their aggregate loans and advances. There has been constants reduction in their NPA during this period and it has gone down from 49.31 percent in 1993-94 to 7.09 percent in 2005-06. During post-merger period NPA again decreased from 6.55 to 3.75 in period from 2006-07 to 2009-10. However, there has been sum reversal in this trend since 2010-11. The NPA of these banks has gone up to 10.70 presented by the end of the year 2018-19. No doubt, these banks haves controlled significantly their NPA yet there is need to take necessary step to minimize their NPA as it has been marginally rising after 2010-11.

## 7. Conclusion

RRBs which were setup with the intention of extending credit to the rural poor have succeeded in the objective of taking banking services to the villages, but have however, failed to make a clear dent on credit to the rural poor during the past 30 years of their existence. No of Branches of RRBs increased from 14542 in 1993-94 to 21732 in 2018-19. C-D Ratio of RRBs decreased from 66.69 in 1993-94 to 54.34 in 2018-19. I-D Ratio of RRBs increased from 14.96 in 1993-94 to 51.75 in 2018-19. Net profit or loss of RRBs increased from (-299.03) in 1993-94 to 287 in 2018-19 [12][13]. Regional Rural Banks plays a key role as an important vehicle of credit delivery in rural areas with the objectives of credit dispersal to small, marginal farmers and socio-economically weaker section of population for the development of agriculture, trade and industry. In this computerize era, RRBs have to concentrate on speedy, qualitative and secure banking services to retain existing customers and attract potential customers.

## 8. Recommendation

1. The important thing for existence there is the requirement of feasibility and viability of the organization. For this there is the recommendation that RRB's should be merged with commercial banks. It will help to reduce the accumulated losses of insolvency of the banks. This solution is helpful for some RRB's only.
2. Mobilization of funds or converting the savings of rural people in productive activity can be removed by using the funds transfer from urban to rural area with the help of govt. policies. State govt. about permit the Panchayat & other quasi govt. to keep their funds with RRB's in that area.
3. To reduce the cost of RRB's state govt. either reorganize agricultural credit societies on establish other societies through which RRB's increase their production credit on large scale and use the economies of scale in efficient manner.
4. Regional Rural Banks should simplify and standardize their loan applications and documentation formalities with a view to reducing the number of required documents as also to make the 'life' of the documents longer
5. It is also suggested that all the State Governments should take immediate steps to issue Revenue Pass Book or say Agricultural Pass Book and also ensure that they are kept up-to-date. Regional Rural Banks should take these Revenue Pass Books as prime evidence of rights in land and use them as the starting point in processing loan application of agriculturist.

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