



IMPACT OF CONSOLIDATION ON THE PERFORMANCE OF RRB'S- A CASE STUDY OF BANGIYA GRAMEEN VIKASH IN INDIA

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ABSTRACT

KEYWORDS:

RRB's, Bangiya Grameen Vikash Bank, amalgamation, rural sector

Government of India established Regional Rural Banks (RRBs) through the RRBs Act of 1976 to bridge the gap in the flow of credit to the people of Rural Sector. RRBs have a special place in the multi-agency approach adopted to provide agricultural and rural credit in India. These banks are state-sponsored, regionally-based and rural-oriented. In 2007, Bangiya Gramin Vikash Bank was set up as a premier Regional Rural Bank with the amalgamation of five erstwhile RRBs Viz. Mallabhum Gramin Bank, Gaur Gramin Bank, Murshidabad Gramin Bank, Nadia Gramin Bank and Sagar Gramin Bank. This bank is sponsored by United Bank of India & Owned by Govt. of India, Govt. of West Bengal and United Bank of India. The shareholders of the Bank are Govt. of India (50%), United Bank of India (35%) and Govt. of West Bengal (15%). The present study aims to analyse post consolidation performance of Bangiya Gramin Vikash Bank from the period 2010-11 to 2015-16.

INTRODUCTION

The setting up of 'rural banks' by describing them as "primary banking institutions for serving a compact group of villages, covering a population of 5000 to 20000". To serve the problems and requirements of the rural masses with local feel started functioning under Regional Rural Banks Act 1976. The priority of Regional Rural Banks is to develop the rural economy by providing credit to small and marginal farmers, agricultural laborers, rural artisans small entrepreneurs and people from weaker sections of the society.

In March 31st, 2004, 196 Regional Rural Banks were operating in the country. A rise in the operation expenditure was noticed as most of the sponsor banks were operating, more than one RRB in one state. There were 33 RRBs operational incurring operational losses as on March 31, 2004, In order to strengthen the functioning of RRBs and to make them viable, the government of India in consultation with NABARD, concerned state governments and sponsor banks initiated the state level amalgamation of RRBs, sponsor bank wise in September 2005. This amalgamation was initiated Sponsor Bank wise within a State and then second phase was across the Sponsor banks within a State in October 2012. The action of consolidation showed an improvement in functioning of these banks and indicated a hope for achieving economies of scale and better managerial control.

BANGIYA GRAMEEN VIKASH BANK

RRB's have played a major role in the development of rural areas of West Bengal. These institutions have provided banking services to rural people in general and rural poor in particular. RRB's have succeeded in extending the outreach of institutional credit to remote areas of the state by opening branches in the unbanked areas of rural sector of West Bengal. In the year 2006, West Bengal government took a decision of amalgamation of regional rural banks in the state. The state government with prior permission of the Central Government started the restructuring process. On 21st February, 2007, five Regional Rural Banks, that were sponsored by United Bank of India were amalgamated to become the "Bangiya Gramin Vikash Bank" (BGVB). The objective behind this merger was to bring important changes in rural credit scenario in the region in order to achieve economies of scale, better managerial control, modern banking facilities. The five sponsored RRBs were the Mallabhum Gramin Bank, Gaur Gramin Bank, Sagar Gramin Bank, Nadia Gramin Bank and Murshidabad Gramin. Bangiya Grameen Vikash Bank got merged with its sponsored bank United Bank of India, and started its modern banking facilities for the people of rural sector, some of the facilities included ATMs services, Currency Chest, and Foreign Exchange business. Bangiya Grameen Vikash Bank followed three-tier mechanism in order to strengthen their functioning and regular monitoring of its

operations. The bank is operational in 11 districts of West Bengal viz. Malda, Murshidabad, Uttar Dinajpur, Dakshin Dinajpur, Nadia, South 24 Parganas, North 24 Parganas, Bankura, Purulia, Purba Midnapur and Paschim Midnapur.

BGVB was formed as a new RRB by amalgamation of 5 constituent RRBs in West Bengal. The objective of amalgamation of these RRBs was to serve better the needs of the rural economy and hence to develop the economy. BGVB got operational with 547 branches, had 93% of its branches in rural areas, of all the 18 districts of the state. The total business of BGVB was Rs 4130 crores in the year 2007, comprising Rs 2876 crores as deposits and Rs 1254 crores as advances.

Credit deposit ratio was around 44 per cent with the major focus on agricultural credit. In 2009-10, there 550 branches and it significantly increased to 586 branches with an objective of reaching to the unbanked areas of rural society. In the year 2015, bank had a network of 586 branches spread across the area. Objective of BGVB is "Promote and accelerate sustainable, equitable and inclusive value addition to rural economy through effective credit support, development and other initiatives.

In West Bengal, there are three merged Regional Rural Banks, which are operational with 950 branches, in 11 districts of West Bengal as on 2015-16. They are as follows:

Table 1: Amalgamation of RRB's in West Bengal

Serial No.	Name of RRBs Which were Merged	Name of RRB After Merger	State/ year of Merger	Sponsor Bank	No. of District Covered	Total No. of Branches
1.	1.Gour Gramin Bank, 2.Murshidabad Gramin Bank, 3.Mallabhum Gramin Bank, 4.Nadia Gramin Bank, 5.Sagar Gramin Bank	Bangiya Gramin Vikash Bank	West Bengal, 21st February, 2007	United Bank of India	11	586
2.	1.Mayurakshi Gramin Bank, 2.Bardhaman Gramin Bank, 3.Howrah Gramin Bank	Paschim Banga Gramin Bank	West Bengal 26th February, 2007	UCO Bank	4	225
3.	Uttarbanga Kshetriya Gramin Bank	Uttarbanga Kshetriya Gramin Bank	West Benga	Central Bank of India	3	139

Source: Compiled from the various reports of NABARD

METHODOLOGY

Considering the main objective of the study to examine the Performance of Bangiya Grameen Vikash Bank in Post Transformation Era during 2011 to 2015 in India, it is confined to specific areas like number of branches, deposits mobilization, credit disbursement, net profit and also the investments made by them for the specified period. The growth rate is calculated by taking 2015 as current year and 2014 as base year with the formula for calculating growth-

Growth = Value of Current year – Value of Base Year / Base Year.

Consolidation was done to increase the deposit mobilisation in rural sector, investments, profitability and other aspects of growth and development, this will be shown in succeeding para.

BRANCH EXPANSION

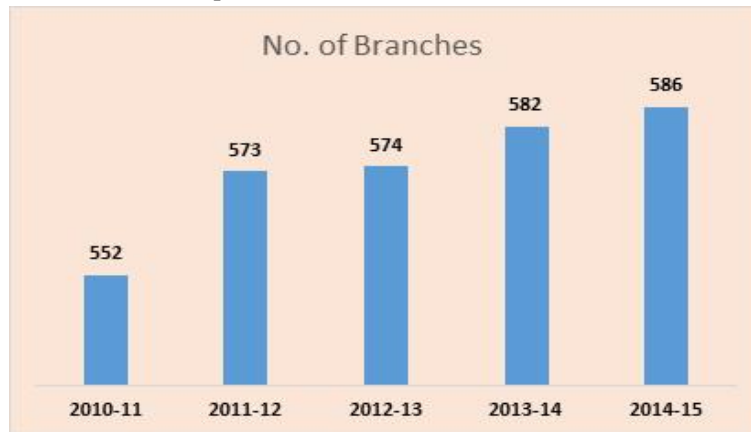
In Post Transformation Era, Bangiya Gramin Vikash Bank have expanded their services, mainly in the rural sector. There has been a significant growth in terms of their number of branches, and their operational coverage. It is also evident from the table 1.1 and graph 1, post amalgamation, there has been an increase in the number of branches of BGVB.

Table 1.1: Total No. of Branches

Year	Branches
2010-11	552
2011-12	573
2012-13	574
2013-14	582
2014-15	586

Source: Compiled from the annual reports of BGVB

Graph 1: Total No. of Branches



TOTAL INVESTMENTS

Investments made by the BGVB can be witnessed in Table 1.3 . It is evident from the table that the consolidation process of RRB’s didn’t affected their investments, there has

been a consistent growth in their investment portfolio. It can also be observed that the amount of investment of BGVB increased from Rs. 292041 crore in the year 2011 to Rs. 545665 crore in the year 2015 registering a growth of 87%.

Table 1.3: Total Investment

Year	Total Investment	Growth%
2010-11	292041	2%
2011-12	315979	8%
2012-13	424963	34%
2013-14	489987	15%
2014-15	545665	11%

Source: Compiled from the annual reports of BGVB

DEPOSIT MOBILIZATION

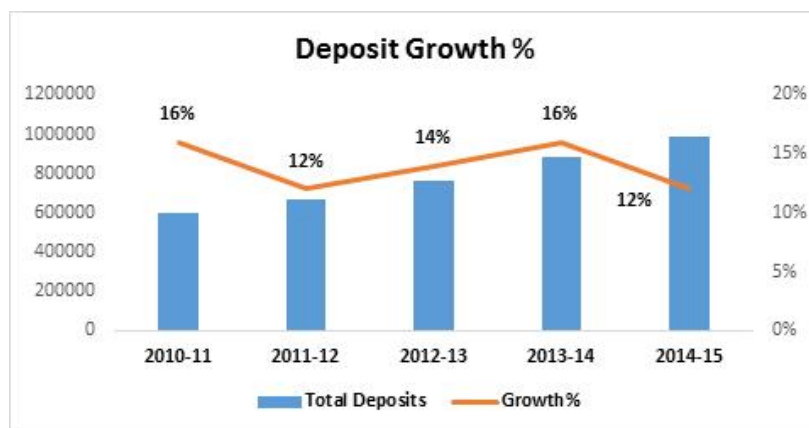
In the post transformation era, expansion of branches to the unbanked areas helped BGVB in deposit mobilization.

Table 1.4: Total Deposits

Year	Total Deposits	Growth%
2010-11	598954	16%
2011-12	667986	12%
2012-13	764199	14%
2013-14	883519	16%
2014-15	991683	12%

Source: Compiled from the annual reports of BGVB

Graph 1.1: Total Deposit



In table 1.3 and graph 1.2, a consistent level of growth can be observed in mobilization of deposits. In the year 2011, the total deposits were Rs. 598954 crore. There has been a constant rise in the deposit mobilization of RRBs, total number of deposits rose to Rs. 991683 in the year 2015 registering a growth of 66% as compared to the deposits in the year 2011.

CREDIT DISBURSEMENT

Post Transformation era, BGVB have extended their services to rural sector of West Bengal, hence they have shown a significant improvement in the credit disbursement to the needy people of rural sector.

Table 1.5: Credit Disbursement

Year	Total Advances	Growth%
2010-11	286438	28%
2011-12	347351	27%
2012-13	393231	21%
2013-14	454056	27%
2014-15	495936	19%

Source: Compiled from the annual reports of BGVB

It can be witnessed from the table 1.5, there is a consistent level of growth in credit disbursement. There has been a significant rise in the total advances of BGVB, total advances rose to Rs. 495936 crore in the year 2015 from Rs. 286438 crore in the year 2011 registering a growth of 73%.

CREDIT DEPOSIT RATIO

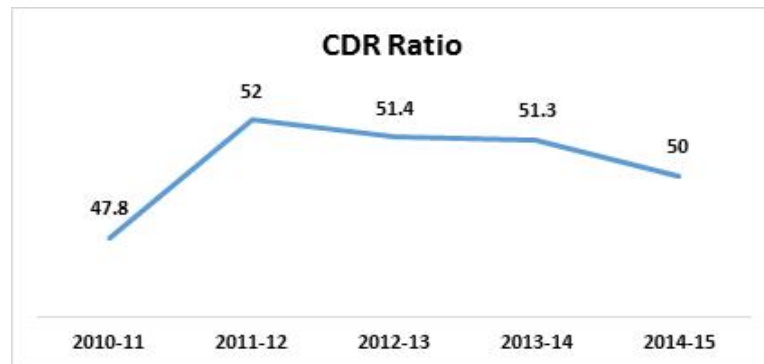
Credit deposit ratio indicates the financial health of a bank which is calculated by dividing the bank's total loans by its total deposits. It can be noticed from the table 1.4 and graph 1.3, that there has been an increase in the credit deposit ratio of BGVB's from 47.8% in 2011 to 50.2% in the year 2015. Although credit deposit ratio has shown a decline in the year 2015 to 50% from 51.3% in the year 2014.

Table 1.6: Credit Deposit Ratio

Year	CDR Ratio
2010-11	47.82
2011-12	52
2012-13	51.46
2013-14	51.39
2014-15	50.02

Source: Compiled from the annual reports of BGVB

Graph 1.2: Credit Deposit Ratio



NET PROFIT OF BGVB

Post Transformation, BGVB have shown a significant increase in their profitability performance.

Table 1.7: Profitability

(Amount in Crores)

Year	Profit/Loss	Growth %
2010-11	1833.73	-11%
2011-12	1191.82	-54%
2012-13	3168.69	62%
2013-14	3227.77	2%
2014-15	3433	6%

Source: Compiled from the annual reports of BGVB

The profitability performance is shown in the table 1.7, in post transformation era, there has been a significant growth of 62% in the year 2013, although in 2015, there was only 6% growth in net profit. It is evident from the table that BGVB's profitability has shown an upward trend in last three years.

CONCLUSION

The present study made an attempt to evaluate the performance of Bangiya Grameen Vikash Bank of West Bengal from the period 2011 to 2015. BGVB was formed with an objective to "Promote and accelerate sustainable, equitable and inclusive value addition to rural economy through effective credit support, development and other initiatives". Indeed they are on their path of successfully achieving the same as there has been a significant progress in their performance compared to previous years. They are rapidly increasing their branches to reach the unbanked areas of rural sector, assisting rural people financially by providing loans and advances. Above evaluation of the performance of BGVB's suggests that consistent efforts are being taken in branch expansion, deposit mobilization, credit deployment and in their Investment Portfolio. It can be observed that there has been an upward trend/improvement in branch expansion, deposit mobilization, investments, credit disbursement and net profit earned by them post consolidation era.

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