

## A Comparative Study of Regional Rural Banks In West Bengal

Dr.Tanay Kumar Pal<sup>1</sup>, Dr.Uday Krishna Mitra<sup>2</sup>

<sup>1</sup>Associate Professor & Head, Department of Commerce Dr. Gour Mohan Roy College Monteswar, Purba Bardhaman, West Bengal, Pin-713145, India.

<sup>2</sup>Associate Professor, Department of Commerce Khalisani Mahavidyalaya, Khalisani, Chandannagar, Hooghly, W.B, India.

Corresponding Author: Dr.Tanay Kumar Pal

**Abstract:** Present paper concentrates some of the important findings and observations of Regional Rural Banks in West Bengal. In West Bengal, three RRBS are functioning. Therefore, it is necessary to analyse the comparative study of financial performance of RRBS in West Bengal. This paper attempts to analyse the comparison of financial performance of RRBS in West Bengal as on 31.03.2017. It is based on the secondary data collected from annual reports of NABARD, RBI, RRBS and few journals and website. The authors try to point out some of the problems faced by RRBS in West Bengal and have made some suggestion towards the development of the RRBS in West Bengal.

**Keywords:** West Bengal, Regional Rural Banks, key Performance indicators, Paschim Banga Gramin Bank, Bangiya Gramin Vikash Bank, Uttar Banga Kshetriya Gramin Bank.

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### I. Introduction

West Bengal is an agricultural state and more than 70% of the people are dependent on agriculture either directly or indirectly and its maximum population lives in rural area. Regional Rural Banks plays an important role in the development of agriculture and rural economy in West Bengal. Regional Rural Banks were established under the provisions of an Ordinance promulgated on the 26<sup>th</sup> September 1975 and the RRB Act, 1976 with an objective to ensure sufficient institutional credit for agriculture and other rural sectors. The RRBS have reached mostly to the rural area of West Bengal, through their huge network. The success of rural credit in West Bengal largely depends on their financial strength. RRBS are key financing institution at the rural level which shoulders responsibility of meeting credit needs of different types agriculture credit in rural areas. The RRBS mobilize financial resources from rural / semi urban areas and grant loans and advances particularly to small and marginal farmers, agricultural labourers and rural artisans. At present, three RRBS are functioning in West Bengal – Paschim Banga Gramin Bank, Bangiya Gramin Vikash Bank, Uttar Banga Kshetriya Gramin Bank. The area of operation of RRBS is limited to the area as notified by GOI covering more districts in the state. RRBS are jointly owned by GOI, the concerned state Government and sponsor Banks. The issued capital of RRB is shared by the owners in the proportion of 50 percent, 15 percent and 35 percent respectively.

#### Objectives of study:

- The basic objective of the study is to enquire the necessity of opening up at the banking sector in rural W.B. particularly Regional Rural Bank.
- To measure the relative study of RRBS in West Bengal.
- To look over the key performance indicators of RRBS in West Bengal.
- To appraise pecuniary achievement of RRBS in West Bengal.
- To recommend the measures in improving the functions on the basis of conclusion.

#### Hypothesis of study:

RRBS in West Bengal are significant banks of the state as far its contributor in agricultural credit and rural development of the state is concerned. Some of the important hypotheses regarding the performance of RRBS in West Bengal are furnished below.

- The RRBS in West Bengal have made a substantial quantitative progress.
- The benchmark growth of RRBS in West Bengal has been marked to be highly impressive.
- The large scale achievement of RRBS is greatly significant.

**Problems of study:**

- First and important problem of the research work is analysis of financial data.
- Information from the RRBs in West Bengal was difficult to be obtained as it a government organization and most of the employees and authority concern were not interested to provide information.
- Recurrently visit was made to RRBs in different parts of West Bengal to collect data.

**Significance of study :**

The study is very important to appraise pecuniary achievement of RRBs in West Bengal. The outcomes of this study will be helpful to the policy maker in developing the activities of RRBs in West Bengal.

**Scope and limitations of study:**

- The study is preferred to state only the financial factors , other socio-economic factors are not properly considered .
- The study covers a specific period i.e. 2016-2017.
- Outcomes of the study may not always be pertinent individually to all the districts in the state of West Bengal.

**Area of study:**

The study is based on the performance of RRBs in West Bengal. Therefore, study covers state of West Bengal to satisfy the objectives of the study.

**Period of study:**

For collection of the secondary data on financial performance of the RRBs in West Bengal year 2016 – 2017 has taken as the reference period .

**Database and Methodology:**

The importance of any of the empirical studies is generally examined and valued by its data base and methodology .

The study is based on the secondary data which have been collected from annual reports of NABARD, RBI , RRBs of West Bengal. Other related information collected from journals and websites. The comparative analysis of RRBs in West Bengal has been examined with the help of key performance indicators. Analytical Techniques employed-key performance indicators analysis was undertaken with a view to studying comparative financial performance related to the regional rural banks.

**Regional Rural Banks In West Bengal :**

The Regional Rural Banks in West Bengal has actively contributed to the growth of the rural sector. The development of the rural business and economy has been dependent largely on the investment and financial aids provided by the Regional Rural Banks in West Bengal.

**Paschim Banga Gramin Bank (PBGB):**

Paschim Banga Gramin Bank is a premier Regional Rural Bank established on 26 February 2007 in exercise of powers conferred by Sub-section(1) of section 23A of the Regional Rural Bank Act, 1976 (21 of 1976) .

The bank is established by the amalgamation of Howrah Gramin Bank and Mayurakshi Gramin Bank. This bank is sponsored by UCO Bank & owned by Govt. of India, Govt. of West Bengal and UCO Bank. The shareholders of the Bank are Govt. of India (50%), UCO Bank (35%) and Govt. of West Bengal (15%). The Bank is operating in five districts of West Bengal state, namely Howrah, Hooghly, Purba Bardhaman, Paschim Bardhaman and Birbhum. Its head office is located at Tikiapara, Howrah, West Bengal. The bank has 230 branches and 4 Regional offices includes 204 rural, 16 semi urban, 7 urban and 3 metro branches. The share capital of this bank is Rs 30902 lakh as on 31.03.2017.

**Bangiya Gramin Vikash Bank (Bgvb):**

Bangiya Gramin Vikash Bank (BGVB) is a premier Regional Rural Bank establishment in terms of provisions of Regional Rural Bank Act 1976. BGVB has been established on 21.02.2007 with the amalgamation of erstwhile Mallabhum Gramin Bank, Gaur Gramin Bank, Mushidabad Gramin Bank, Nadia Gramin Bank and Sagar Gramin Bank. This bank is sponsored by United Bank of India and owned by Govt. of India (50% share capital Deposit), Govt. of West Bengal (15% of share Capital Deposit) and united Bank of India (35% of Share capital Deposit)

The authorised share capital of the Bank is Rs. 2,33,000,00 thousand and the paid up capital is Rs. 6438022 thousand as on 31.03.2017. The Bank is operating in 12 districts of West Bengal namely Malda, Murshidabad, Uttar Dinajpur ,Dakshin Dinajpur, Nadia, South 24 Paraganas, North 24 Paraganas ,Bankura, Purulia, Purba Midnapur,and Paschim Midnapur with its Head office at Baharampur, Murshidabad, West Bengal. Total branch network of the bank as on 31.03.2018 reached 587 with 11 Regional offices.

**Uttar Banga Kshetriya Gramin Bank (UBKGB) :**

Uttar Banga Kshetriya Gramin Bank, a Regional Rural Bank was established on the 7<sup>th</sup> March 1977 under the Provision of Section 3(2) of RRB Act 1976 [21 of 1976] . This bank is sponsored by Central Bank of India. The shareholders of the Bank are Govt. of India (50%), Central Bank of India (35%) and Govt. of West Bengal (15%) . The Bank has been operating in five districts of West Bengal namely Coochbehar, Jalpaiguri, Alipurduar, Darjeeling and Kalimpong with its Head Office at Coochbehar. Total branch network of the bank as on 31.03.2018 reached 142 includes 88 rural, 47 semi-urban and 07 urban branches with 3 Regional offices.

**Comparison Of Regional Rural Banks -Key Performance Indicators**

**Table : I Key Performance indicators of RRBs in West Bengal for the year 2016-2017 (Rs in thousand)**

Items / Indicators	PBGB	BGVB	UBKGB
Sponsored Bank	UCO	United Bank of India	Central Bank of India
Districts covered	05	12	05
Total Branches	230	587	142
Rural Branches	204	545	88
Semi-Urban Branches	16	30	47
Urban Branches	07	12	07
Metro Branches	03	-	-
Regional offices	04	11	03
Share capital	30,90,195	64,38,022	9,07,913
Reserve & Surplus	29,592	0	4,01,564
Borrowings	25,09,458	41,05,961	14,32,794
Deposit	4,52,84,805	13,43,17,089	2,70,22,962
Investment	1,38,19,251	8,01,17,227	97,78,447
Fixed Assets	95,265	1,32,773	44,986
Advances	2,22,45,176	5,40,82,839	1,13,97,867
Profit & Loss	6,85,707	97,159	28,303
PBT	1,44,897	87,780	13,500
Net NPA Percentage	6.03%	14.39%	5.16%
Productivity Per Branch	29,360	16,551	19,932
Productively Per staff	6580	5772	5320
Credit-Deposit Ratio	49.12%	40.26%	42.17%
Staff	1042	2332	532

**II. Summary / Observation Of The Study (Findings) :**

The performance indicators of RRBs in West Bengal are presented in Table 1. All the indicators exhibit positive and significant growth. Major observations and findings are discussed in the following way.

**Branch Network :**

- District covered :** The Bangiya Gramin Vikash Bank (BGVB) is covered largest no. of districts in West Bengal than Paschim Banga Gramin Bank (PBGB) and Uttar Banga Kshetriya Gramin Bank (UBKGB).
- Total Branches :** The Bangiya Gramin Vikash Bank (BGVB) is the largest bank in Branch Network in West Bengal among the Paschim Banga Gramin Bank (PBGB) and Uttar Banga Kshetriya Gramin Bank (UBKGB).
- Regional offices :** Regarding the number of Regional Offices of RRBs in W.B., the BGVB stands top position , consisting of 11 regional offices whereas the number of regional offices of PBGB and UBKGB are 4 and 3 respectively.

**Sources of Funds :**

The sources of funds of RRBs comprise of share capital, deposits borrowings from central Govt., sponsors Banks and Govt. of West Bengal.

- Share capital :**The share capital of BGVB is Rs. 64,38,022 thousand whereas the share capital of PBGB and UBKGB is 30,90,195 thousand and Rs. 9,07,913 thousand respectively.
- Deposits :** Deposits of BGVB is Rs. 13,43,17,089 thousand during the year 2016-2017 against the deposits of PBGB is Rs. 4,52,84,805 thousand and the deposits of UBKGB is Rs. 2,70,23,962 thousand.

- Borrowings :** Borrowings of BGVB is Rs. 41,05,961 thousand during the year 2016-2017 whereas the Borrowings of PBGB and UBKGB is Rs. 25,09,458 thousand and Rs. 14,32,794 thousand respectively.

#### **Uses of Funds :**

The uses of funds of RRB comprise of Investment and loans and advance.

- Investment :** The Investment of BGVB is Rs. 8,01,17,227 thousand whereas investment of PBGB & UBKGB are amounts of Rs. 1,38,19,151 thousand and Rs. 97,78,447 thousand respectively.
- Loans & Advances :** The Loans & Advances of BGVB is Rs. 5,40,82,839 thousand as against loans & advances of PBGB and UBKGB is Rs. 2,22,45,176 thousand and Rs. 1,13,97,867 thousand respectively .

#### **Working Result :**

- Profitability :** PBGB have earned profit to the extent of Rs. 6,85,707 thousand during the year 2016-2017 . The profit of BGVB and UBKGB is Rs. 97,159 thousand and Rs. 28,303 thousand respectively.
- Credit Deposit Ratio :** The Credit-deposit ratio of PBGB (49.12%) is higher than in comparison to BGVB (40.26%) and UBKGB (42.17%).
- Productivity per Branch and Staff:** Regarding Productivity per branch and per staff it is revealed that PBGB is far better position (Rs. 29360) thousand and Rs. 6580 thousand respectively than other RRBs in West Bengal, BGVB and UBKGB. The productively per branch and per staff of BGVB are Rs. 26,551 thousand and Rs.5772 thousand respectively whereas aforesaid productivity per branch and per staff of UBKGB are Rs. 19932 thousand and Rs. 5320 thousand respectively.

#### **Problems of RRBs in West Bengal:**

- The RRBs in West Bengal have not progressed upto the mark in mobilizing deposits because of severe competition from other banks and financial institutions .
- The RRBs in West Bengal setback in expanding its branches to the very remote areas of the state due to lack of proper co-ordination from the state Govt. and its upper level officials.
- The loan recovery system / procedure is very poor .
- One of the important defects is interference of local leaders of the ruling party in sanctioning and recovery of loans.
- In its decision making the Board of the bank have impeded by the interference of GOI, NABARD and RBI.
- Lack of innovation of new schemes and products limiting its lending portfolios .
- Mounting losses due to non-viable level of operations in branches located at resources- poor areas.
- Inadequate skills in treasury management for profit orientation.

#### **Suggestion For Improvement of RRBs in West Bengal :**

- To make even development in every nook and corner of the state, the government of W.B. with the support of GoI should encourage and co-operate the RRBs in W.B.
- Appropriate steps should be made to waive off the processing costs of borrowing small & marginal borrowers.
- The RRBs may release the bureaucratic management system for pending and recovery of loans and make it carrier to the less educated loanees in the village .
- By means of applying the proper control practice the RRBs should reduce the office & administrative costs and tries to enhances the incomes for improving its productivity.
- Village cooperative societies may be allowed to sponsor or co-sponsor with the commercial banks in the formation of the RRBs.
- In order to retain in power and to enjoy cheap popularity the government should not make announcements like waiving off loan which is a common practice in a democratic system of government. Rather government should take firm action against the loan defaulters of RRBs.
- The RRBs have to give due preference to the micro-credit scheme and stir up the establishment of the self-help group.
- Reward should be announced to borrower whose efficiency of loan repayment is better in the existing system and mechanism of loan recovery.
- A uniform pattern of interest rate structure should be designed for the rural financial organization.

### **III. Conclusion**

In order to develop the economy of a country it is necessary to concentrate on speedy, qualitative and upliftment in weaker section of the rural mass. This goal can be achieved in reducing the substantially disparities in respect of banking facilities in rural areas. RRBs has successfully achieved the aforementioned

goals to take banking to door steps of rural household particularly in banking to deprived rural areas to avail easy and cheaper credit to weaker sections who are mainly dependent on village money lenders, to encourage to create employment opportunities in rural areas. RRBs plays an important role to dispose off credit to small & marginal farm role and socio-economically weaker section of population for the development of agriculture, trade and cottage industry. Govt. should take some effective remedial measures to make RRBs viable.

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