

Growth and Performance of Regional Rural Banks in West Bengal: A Study on Paschim Banga Gramin Bank

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Abstract: Regional Rural Banks were set up ‘with a view to developing the rural economy by providing, for the purpose of development of agriculture, trade, commerce, industry and other facilities, particularly to small and marginal farmers, agricultural labourers , artisans , and small entrepreneurs and for matters connected therewith and incidental thereto.’ Paschim Banga Gramin Bank came into force on 26th February’ 2007. This paper attempts to analyze the financial performance of Paschim Banga Gramin Bank in West Bengal during the period 2012-13 to 2016-17. The study is based on secondary data collected from annual reports of Paschim Banga Gramin Bank, NABARD and RBI. An analytical research design of “Key Performance Indicators Analysis” such as number of branches, deposits, loans, investment borrowings and growth rate index is discussed in the present paper. The study finds and concludes that financial performance of Paschim Banga Gramin Bank has significantly improved.

Keywords: Paschim Banga Gramin Bank, Key Performance Indicators, Regional Rural Bank, NABARD, Self Help Group, Joint Liability Group, Kishan Credit Card.

Date of Submission: 26-04-2019

Date of acceptance: 11-05-2019

I. Introduction

Paschim Banga Gramin Bank (PBGB) has been established on 26th February 2007 vide Government of India, Ministry of Finance, Department of Economic Affairs (Banking Division), New Delhi, Notification on 1/4/2006 RBI dated the 26th February, 2007 in exercise of powers conferred by sub-section (1) of section 23A of the Regional Rural Bank Act, 1976 (21 of 1976) by amalgamation of Howrah Gramin Bank, Bardhaman Gramin Bank and Mayurakshi Gramin Bank (all three being treated as transferor banks) sponsored by the UCO Bank in the state of West Bengal. This new entity still remains a joint venture of the Government of India, Government of West Bengal and UCO Bank with contribution of share capital in the ratio of 50% , 15% and 35% respectively.

The prime objective of the Bank remains undiluted to act as a catalyst to develop rural economy through credit dispensation for productive activities mainly to agrarian populace. With the higher exposure limit, Bank is now enabled to cater to the needs of emerging enterprises mainly in the field of agriculture and Micro, Small & Medium Enterprises (MSME). In the process this bank focus continues to be on Joint Liability Group (JLG), Self Help Group (SHG) and Kishan Credit Card (KCC) in Agriculture sector and enterprises under MSME Sector.

On amalgamation of erstwhile three Gramin Banks now treated as transferor Banks, newly established Paschim Banga Gramin Bank has four districts viz, Howrah, Hooghly, Burdwan and Birbhum as its area of operation,

AREA PROFILE:

PBGB is functioning in four districts viz, Howrah, Hooghly, Burdwan and Birbhum in the state of West Bengal . Howrah, Hooghly and Burdwan districts traditionally have immense potential both for agriculture and industry ,whereas Birbhum District is not so advanced in terms of agricultural activities and mostly has mono cropped land area. Revised and modified industrial policy at the state level is accelerating the pace of industrial development in aforesaid districts. Besides, introduction of non-traditional crop cultivation and multi dimensional approach for rising food production arising out of new thrust areas in the agricultural policy, may contribute to upliftment of the economy of the aforesaid districts .

BRANCH NETWORK:

Paschim Banga Gramin Bank has a network of 230 branches covering 4 districts of the state of West Bengal. The district-wise break up of branches as on 31.03.2017 is as follows:

Table No. : 1 Total No. Of Branches Covered In The Districts

Sl. No	Name of District	Rural	Semi-urban	Urban	Metro	Total
1	Birbhum	63	5	-	-	68
2	Burdwan	66	6	2	-	74
3	Hooghly	36	-	2	-	38
4	Howrah	39	5	3	3	50
Total		204	16	7	3	230

Source: Annual Report of Paschim Banga Gramin Bank, 2016-17.

Besides , there is one Extension Counter under Salap Branch under Howrah District.

SHARE CAPITAL:

The detailed break up of share capital Account of the Bank as on 31.03.2017 is given below :

Table No. : 2 Share Capital Of The Bank

Contribution of	Share Capital (Amount Rs. in Lakh)
Government of India	15451
Government of West Bengal	4635
UCO Bank	10816
Total	30902

Source: Annual Report of Paschim Banga Gramin Bank, 2016-17

MANPOWER POSITION:

In exercise of the power conferred under section 11(1) of the Regional Rural Bank Act 1976, UCO Bank, the sponsor bank, has appointed the chairman of the Bank. In addition the Bank has three General Managers from the sponsor bank.

The position of existing manpower of the Bank, other than the deputed officers, as on 31.03.2017 is as under :

Table No. : 3 Existing Manpower of the Bank

Post / Grade	General	Sc	ST	OBC	Total	P/H	Ex-service man
Scale-IV (Chief Manager)	10	2	NIL	NIL	12	NIL	NIL
Scale III (Senior Manager)	44	5	1	1	51	1	NIL
Scale II (Manager)	119	22	7	2	150	1	NIL
Scale I (Assistant Manager)	232	64	17	1	314	2	NIL
Office Assistant (Multipurpose)	267	104	18	44	433	5	2
Office Attendant (Multipurpose)	41	33	5	3	82	NIL	NIL
Total	713	230	48	51	1042	09	02

Source: Annual Report of Paschim Banga Gramin Bank,2016-2017

Objectives of the Study:

1. The fundamental goal of the analysis is to find out the financial performance of Paschim Banga Gramin Bank.
2. To evaluate the key performance indicators of Paschim Banga Gramin Bank in West Bengal.
3. To assess the financial performance of Paschim Banga Gramin Bank during 2012-13 to 2016-17.
4. To study the growth-pattern of Paschim Banga Gramin Bank in West Bengal.
5. To enquire about the secret of success of Paschim Banga Gramin Bank .
6. To advocate the steps to be taken to expedite the functions on the basis of inference of the study.

Hypothesis of the Study:

Paschim Banga Gramin Bank in West Bengal is an important bank of the state considering its role for the development of rural parts, particularly remote areas of the state . Here we set up few pivot hypotheses regarding the growth and performance of Paschim Banga Gramin Bank in West Bengal.

1. The Paschim Banga Gramin Bank in West Bengal has made a considerable growth.
2. The remarkable growth of Paschim Banga Gramin Bank in West Bengal has been noticed to be extremely impressive .
3. The substantial attainment of Paschim Banga Gramin Bank in West Bengal is greatly significant .

Problems of the Study:

1. First and foremost problem of the study is analysis of financial data.
2. Information from Paschim Banga Gramin Bank in West Bengal was difficult to collect as it is a government sector enterprise and majority of the staff and officers are always not ready to maintain the required information properly .
3. Frequent visits were made to different branches of Paschim Banga Gramin Bank and different parts of West Bengal to collect data.

Significance of the Study:

The study is most important to evaluate the financial attainment of Paschim Banga Gramin Bank in West Bengal. The output of this analysis will be beneficial to the policy makers in improving the workings of Paschim Banga Gramin Bank in West Bengal .

Scope and Limitations of the Study:

1. The analysis of the study is only to can concentrate on the financial aspects , other socio-economic components are not properly taken into account .
2. The study is confined to a specific time periods i.e. 2012-13 to 2016-17.
3. Findings of the analysis of the study may not always be relevant to every part of the state.

Area of the study:

The study is based on the growth and performance of Paschim Banga Gramin Bank in West Bengal . Therefore, the study covers only those districts of the state of West Bengal where Paschim Banga Gramin Bank has its branches to satisfy the objectives of the study.

Period of the Study:

For collection of the secondary data on pecuniary performance and growth of Paschim Banga Gramin Bank in West Bengal from 2012-2013 to 2016-2017 were taken as the reference period .

Data Base of Methodology:

The significance of any pragmatic study is basically assessed and evaluated by its data base and methodology . The study is supported on the ancillary data which have been collected from annual reports of Paschim Banga Gramin Bank. Other related information has been obtained from books, journals and websites.

Key Performance Indicators and Growth of Paschim Banga Gramin Bank :

Table 4 presents the key performance indicators and growth of Paschim Banga Gramin Bank from year 2012-13 to 2016-2017.

TABLE: 4 Key Performance Indicators of Paschim Banga Gramin Bank
(Figure: Rs. in Lakh)

Parameter	2012-13	2013-14	2014-15	2015-16	2016-17	Growth%
No. of Branches	218	218	225	230	230	-
Districts Covered	4	4	4	4	4	-
Staff	1124	1144	1141	1113	1042	- 6.37%
Deposit	306168	328540	344158	386054	452848	17.30%
Borrowings	9573	23220	29115	28355	31252	10.21%
Investments	127836	88226	87182	96889	138193	42.63%
Gross Loan (o/s)	107503	130172	158378	198435	222452	12.10%
Fresh Loan Sanctioned	92467	112400	109518	130146	138642	6.52%
CD Ratio	35.11%	39.62%	46.02%	51.40%	49.12%	-
Accumulated Losses	(-)11694	(-)9682	(-)8932	(-)8306	(-)6857	-17.44%
PBT / Profit	145	2012	749	626	1449	131.46%
Return on Equity	0.47	6.51	2.42	2.03	4.69	-
Gross NPA	10676	11667	12239	15586	18317	-
Gross NPA %	9.93%	8.96%	7.72%	7.85%	8.23%	-
Net NPA %	6.60%	6.13%	5.27%	5.67%	6.03%	-
Recovery %	74.82%	75.24 %	75.10%	76.30%	74.66%	
Branch Productivity	1898	2104	2233	2541	2936	15.55%
Staff Productivity	368	401	440	525	648	23.43%

Source: Annual Reports of Paschim Banga Gramin Bank 2012-2013 to 2016-2017.

II. Observation Of The Study (Findings)

The performance indicators of Paschim Banga Gramin Bank in West Bengal are presented in Table 4. All the indicators exhibit positive and significant growth. Major observations and findings are discussed in the following way.

Sources of Funds:

1. Deposits :

Deposits of PBGB increased from Rs. 386054 lakh (2015-2016) to Rs. 452848 lakh during the year 2016-17 registering growth rate of 17.30%. Previous year (2015-16) growth rate was 12.17%.

2. Borrowings :

Borrowings of PBGB increased from Rs. 28355 lakh as on 31.03.2016 to Rs 31252 lakh as on 31.03.2017 registering on increase of 10.21%. The average cost of borrowing works out to be 5.67% p.a. during the year under report as against 5.70% p.a. during the previous year.

Uses of Funds:

The uses of funds of PBGB comprise of investments and loans and advances .

1. Investments:

The investment of PBGB as on 31.03.2017 stood at Rs. 138193 lakh in various Govt. Securities, approved securities, Shares, Debentures, Bonds etc. registering an increase of 42.63 % as against Rs. 96889 lakh as on 31.03.2016. Investment to Deposit (ID) ratio stands at 30.52%.

2. Loans and Advances :

During the year loans outstanding of PBGB increased by Rs. 24017 lakh to Rs. 222452 lakh as on 31.03.2017 registering a growth rate 12.10% over the previous year.

3. Loans Issued:

Total loans issued by PBGB during the year increased to Rs. 138642 lakh from Rs. 130146 lakh during the previous year registering a growth of 6.52 %.

Working Results:

1. Profitability :

Total profit earned by PBGB during the year 2016-17 stood at Rs. 1449 lakh as against Rs. 626 lakh as on 31.03.2016. The profit was 131.46% greater than the previous year.

2. Accumulated Loss :

As on 31.03.2017 PBGB continued to have accumulated losses to the tune of Rs. 6857 lakh as against Rs. 8306 lakh as on 31.03.2016 . The accumulated loss decreased by Rs 24017 lakh during the year under review.

3. Non-performing Assets (NPA):

The Gross NPA of PBGB was Rs. 18317 lakh as on 31.03.2017 as against Rs. 15586 lakh over the previous year registering at a growth rate 17.52 %.

4. Recovery Performance :

There has been a slight decrease in the recovery percentage during 2015-16 from 76.30 % to 74.66 % in the year 2016-17.

5. Credit Deposit Ratio :

The aggregate CDR of PBGB has declined over the years from 51.40% as on 31.03.2016 to 49.12 % as on 31.03.2017.

6. Productivity of Branch and Staff :

The branch productivity increased to Rs. 2936 lakh in 2016-17 from Rs. 2541 lakh in 2015-16 with a growth of 15.55% . Similarly, staff productivity in 2016-17 increased to Rs. 648 lakh from Rs. 525 lakh in 2015-16 with a growth of 23.43 % .

Policy initiatives during the 2016-2017:

1. Formation of Joint Liability Group (JLGs) :

The bank has successful forming 114 numbers of JLG and disbursed Rs. 86 lakh. The cumulative number of JLGs stands at 2706 and total amount of loan outstanding as on 31.03.2017 is Rs. 3748 lakh.

2. Assistance to weaker section:

In pursuit of meeting socio economic obligation, the bank is laid utmost emphasis in supporting the weaker sections of the society recorded upto 31.03.2017 an amount of Rs. 1012.63 crores in 103189 accounts under SGSY 74 groups have been provided financial assistance of Rs. 1.61 crores during the year. With an aggregate amount of Rs. 17.38 crores in 1484 groups. The bank also accorded due priority in extending credit to SC/ST borrowers and during the year 5124 beneficiaries have been provided bank credit of Rs. 79.49 crores and the total credit stood at Rs. 278.66 crores in 53109 accounts representing 14.48% of priority sector advance.

3. Farmers' Club:

Taking note of the catalytic role played by the farmers' club, in strengthening the bond with local clients, the Bank is nurturing 334 clubs. Bank, with assistance from NABARD, organized different programmes viz. sansitization programme, Meet-n-Match programme, Leadership development programme. With the assistance of Farmers' club the bank has been able to penetrate into the rural masses for deposit mobilization, fresh lending and NPA & MSL recovery .

4. Interest Subvention:

As per the directive of Reserve Bank of India, all crop loans sanctioned during kharif, Rabi & Boro 2016-17 upto the limit of Rs. 3.00 lakh per individual farmers are eligible for interest subvention. The bank submitted claim to NABARD for reimbursement of Rs. 3124.29 lakh towards interest subvention for the reporting year. As per directive of the Govt. of India SHG borrowers under National Rural Livelihood Mission (NRLM) districts will get interest subvention from State Rural Livelihood Mission (SRLM.). Accordingly bank submitted claim of Rs. 1091.69 lakh to Govt. of India through NABARD.

5. Financial inclusion:

PBGB is fully engaged in inclusive growth through various Financial inclusion initiatives to reach ' the last mile' of economy. Under social Banking (Financial inclusion) PBGB is committed towards the socio-economic development of the people and uplifting the society through bank's Financial Inclusion Initiative. Banking services do not discriminate people; it includes people from all walks of life under its umbrella. PBGB works in tandem with self-help groups and other agencies like BC agents and Bank Sakhis to extend its Services to the masses.

6. Customer Service:

All out efforts have been made to provide prompt and efficient services to customers including implementation of CBS in all its branches and offices to provide better customer service towards this direction bank has taken the following initiatives :

- Note Counting Machines have been provided to Branches.
- NEFT facilities have been strengthened for instant credit of proceeds to customers A/c.
- SMS alert system has been fully implemented for all transactions of the customer.

Problems of Paschim Banga Gramin Bank:

1. The Paschim Banga Gramin Bank has not advanced upto the mark as it was targeted at the time of its inception due to severe competition from other public and private sector banks, financial institutions and the prevailing activities in this field of the village money lenders .
2. It faces acute obstacles in expanding its branches to all remote areas of the state due to traditional system of banking regulation, lack of appropriate co-ordination from the State Government and other influential personalities working in this field.
3. PBGB suffer from inadequacy of staffs who are not properly trained. Loans are sanctioned without checking the credit worthiness of the borrowers. PBGB do not have a proper channel of recovery system.
4. Populist policy of government in wavering agricultural loans insists the loanee to delay the repayment of loans in order to enjoy the aforementioned opportunity in near future, particularly at the time of incoming assembly or Parliament election.
5. Parsimonious policy of loan sanctioning and inadequate exposure about the innovative products inhibit the lending portfolios.
6. Opening up the branches in poverty stricken remote areas for the welfare and upliftment of the backward people the bank has to underpin mounting losses.

7. High overdue and poor recovery of loans are two problems faced by PBGB. Accordingly the PBGB suffer from the problem of nonperforming assets (NPA). This is also reflected in the capital adequacy norms.

Suggestions For Improvement Of Paschim Banga Gramin Bank:

1. The PBGB should try to increase their deposits by opening branches in business areas ,improve the services to clients, introduce different types of deposits schemes and offer competitive rates of interest.
2. Participation of the representative of the workers in the board of management of the PBGB should be permitted. This will improve industrial relations in the PBGB.
3. The State Government should also take keen interest in the growth and functioning of PBGB.
4. Local staff should be appointed as far as possible subject to fulfillment of usual norms for employment in banks.
5. The PBGB may be permitted to lend up to 25% of their total advances to their total advances to the richer section of the village society.
6. Accountability and transparency need to be brought in the implementation of the schemes.
7. The PBGB have to give due preference to the micro-credit scheme and encourage in the formation of more and more self help group.
8. The PBGB should establish proper co-ordination with other institutional financing agencies, co-operative banks, commercial banks and local participants to enhance their capability and exploit untapped rural market.
9. The PBGB may relax their procedure for lending and make them easier and customer friendly for village borrowers.
10. The PBGB must strengthen effective credit administration by way of credit appraisal, monitoring the progress of loans and their efficient recovery.

III. Conclusion

It may be said in conclusion that Paschim Banga Gramin Bank has made a miracle in reducing remarkably the territorial imbalances in respect of banking services in rustic West Bengal. The efforts made by PBGB in forms of deposits and borrowings mobilization, expansion of investment structure and particularly it is very successful in making rural development by means of deploying credit to distress section in remote areas in rural Bengal. It also successfully reaches its targets such as to take banking to door steps of rural households especially banking in deprived areas, to assist simple and inexpensive credit to the economically unsound people, basically who are depended on village money-lenders, to encourage rural savings for productive activities, to generate employment opportunity in the villages and to bring down the cost of offering credit in backward areas. PBGB plays an important role in dispersing credit to small and marginal farmers and socio-economically incapacitated segment of population for the upliftment of agriculture, trade and industry. But still its commercial viability has been interrogated due its limitations regarding flexibility in functioning sanctioning small scale and high risk in loans and advances. No doubt it has already been established itself as friend in need to the distressed masses in the under-developed villages, still it has to go more by means of speedy functioning, qualitative and secure services to the present customers and secure services to the present customers and interacting potential customers.

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Dr.Tanay Kumar Pal. " Growth and Performance of Regional Rural Banks in West Bengal: A Study on Paschim Banga Gramin Bank." IOSR Journal of Business and Management (IOSR-JBM), Vol. 21, No. 5, 2019, pp. -07-12.