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A Study of Growth and Efficiency of Regional Rural Bank in Raipur District Chhattisgarh

ORIGINAL ARTICLE



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Abstract

Regional Rural Bank promotes rural development nationwide. This article examines the reform of Regional Rural Banks in India- Sprinkle in 1993-94 improved production efficiency. Many factors determine a bank's efficiency. Stipulating the deposit-to-advance elasticity is one measure. A relationship between efficiency and growth provides another measure. Several committees have stressed the need to improve the effectiveness of these rural banks in India. Rural bank demonstrated scale competence. Regional Rural Banks face late, recovery, and other issues. Its goal is to ensure agriculture and rural financing. The study found that restructuring enhanced rural bank efficiency. It requires rural economic growth. The paper emphasized competitively reaching the rural sector. This study attempts to assess the rural credit structure and function in rural economic

growth. Structure and strength have grown quickly. Regional Rural Banks were created to help improve agriculture, trade, commerce, and other productive activities in rural areas by providing loans and other amenities. This primary-data report examines Regional Rural Bank in India's growth and performance. According to the survey, Chhattisgarh gramian bank has the most districts and branches. It advised banks construct mobile banks to address a bigger rural population.

Key Words

Growth, Efficiency, Regional Rural Bank.

Introduction

Regional Rural Banks were created on 26 September 1975 to provide banking services and financing to agriculture and other rural sectors. RRBs in India date back to 1975. Regional Rural Banks formed a single bank on 2 October 1975. (PrathamaGramin Bank). Regional Rural Banks have a 30-year history. Regional Rural Banks finance agriculture. Regional Rural Banks mobilize rural or semi-urban financial resources for small and marginal farmers. This study aims to measure the performance variation of Regional Rural Banks in India's agricultural sector. Regional Rural Banks as separate entities for rural finance based on M. Narashimham's ideas. Banks' financial intermediation promotes economic growth and development. India's rural banks must be efficient. "Efficiency links to long-term viability are crucial for rural banks to influence regional fund flows." Formal and informal banking organizations address rural India's credit demands. Credit to rural India has historically had three key issues. First, rural folks lack formal credit. India's rural credit is

uneven and scattered. Third, the distribution of formal sector credit in the countryside is unequal by region, class, caste, and gender. Regional Rural Banks were established to develop the rural economy by providing credit and other facilities to small and marginal farmers, agricultural laborers, artisans, and small businesses. Chhattisgarh has three Regional Rural Banks: Chhattisgarh Gramin Bank, SargujaKshetriyaGramin Bank, and DurgRajnandgaonGramin Bank (DRGB). Studying Indian Banks Das (1997) examined overall, technical, allocative, and scale efficiency from 1990-1996. All efficiency measurements decreased, according to the study.

This article aims to examine the growth and performance of Regional Rural Banks in Chhattisgarh, as well as their management and organisational structure. It examines Regional Rural Banks' financial management practises (like capital budgeting, capital structure and working capital management.) It evaluates the financial health and operational performance of Regional Rural Banks in Chhattisgarh.

Literature Review

Since the early 1990s, the body of knowledge on bank development and efficiency has grown dramatically and is still expanding. Researchers have done several studies on a wide range of topics linked to banking growth and efficiency. These studies span a wide range of nations and time periods.

A. Amarender Reddy studies the changes in regional rural banks' total factor productivity, technical efficiency, and scale efficiency. In terms of assets and the number of branches under each bank, banks demonstrated tremendous economies of scale. Mergers and increased asset bases and branch locations are also viable options for rural banks.

Using semi parametric estimation methods, **S.S. Rajan and K.L.N. Reddy** assessed the technical efficiency and productivity of Indian scheduled commercial banks. Economic reforms are expected to produce substantial gains in productivity and efficiency, according to this forecast.

A trio of **Jitendra Kumar, VPMetha, and DPMalik**. It saw a need for rural banks with a regional focus to address the issues and needs of rural Indians and to secure adequate institutional credit for agriculture and other rural industries in the country. It helps the concerned Regional Rural Banks build a productive workplace culture.

Jitendra K. Ram& Professor RN Subudhi Facilitating the movement of investment capital across the market. When it comes to allocating economic resources, banks' ability to dispense credit is crucial. Its availability and operation contribute to the state's economic growth.

Through their extensive network, **Abhay Kapre and Anil Kumar Soni** played a critical role in India's rural agricultural development. It assigns rural residents the duty of satisfying the credit needs of various forms of agriculture. It examines a number of financial institutions, branches, accounts, loans, and investments, as well as an index of growth rates.

Milind Sathye is looking into and reorganizing regional rural banks in India in order to increase the efficiency of the rural credit system. Non-parametric Data-Envelopment Analysis (DEA) techniques were also used to measure interest and non-interest income.

Dr. M. Syed. Ibrahim For the Indian economy this is essential. Banks are needed in India because of the increased availability of credit. In order to provide adequate financial services to small and marginal farmers, agricultural laborers, artisans, and entrepreneurs, regional rural banks were established with a local flavor and included local employees.

Both **Taral Patel and Nisarg Shah** Based on the spread ratio and profitability ratio, the study compares performance in the post- and pre-merger scenarios. Instead of focusing solely on the financial sector, a percentage of bank financing is allocated to a select few specific sectors like agricultural or small-scale industry.

Agricultural finance in rural areas is handled by a prominent financial institution headed by **Abhay Kumar Kapre and Anil Kumar Soni**. Secondary data from NABARD, RBI, and RRB annual reports

forms the basis of this research. The goal was to make rural areas' economies more productive so that they could contribute to the nation's overall growth.

Rural and semi-urban areas' financial resources were examined by researchers from **M. Shankar and Dr. K. Srinivasa Rao**, who aimed to better understand the RRBs' soundness and performance by using a model-based method to grant them loans and advances.

RRBs in rural India are examined by **Karam Pal and Jasvir, S.Sura** in order to provide banking services for the truly needy rural people and to take corrective actions to enhance the credit-deposit ratio of the bank that would make RRBs relevant in rural India..

As a response to the high demand for rural institutional loans, particularly among the economically and socially vulnerable groups, **Dr. Manohar Kacharu Sanap** conducted this study. In order to safeguard and rely on rural people like moneylenders, landowners, and traders, rural finance was needed. They also suffer from lack of seeds, fertilizers, water supplies, and other facilities that lead to rural in debtness.

Research Methodology

Factors affecting Growth and Efficiency of Regional Rural Bank

Growth and efficiency are affected some different factor which are directly related to the policies of regional rural bank. Here lots of factors affected to the growth the efficiency but i mentioned only three factors:

1. Service quality.
2. Facility.
3. Customer satisfaction.

Objectives of the Study

1. To evaluate service quality through operational efficiency of the Regional Rural Banks.
2. To analyze the growth and performance through facility provided by the Regional Rural Banks.
3. To observe the policy followed by RRB to satisfy the customer.

Hypothesis

Hypothesis is simply a statement about the universe. It is a statement of the tentative solution of the problem. This statement may or may not be true; the research is designed to ascertain the truth.

On the basis of these research questions and related literature, the following hypothesis have been formulated.

H₁: There is a significant impact of operational efficiency of Regional Rural Banks.

H₂: There is a significant role of growth and performance to provide facility by Regional Rural Banks.

H₃: There is a significant balance between structure of management to satisfy customer in Regional Rural Banks in.

Problems of the Study

1. Major problem of the study is to collect the data and analyze the data.
2. Information from the RRB Raipur was challenging to obtain as it is a Government organization, and members were not interested in providing information.

Sources of Data Collection

This study is based on primary and secondary both the data. Primary data collected through questionnaire and secondary data is based on previous study. Other information is collected from journals, conferences, websites etc.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.898
Bartlett's Test of Sphericity	Approx. Chi-Square	5625.392
	Df	210
	Sig.	.000

KMO & Bartlett's Test of Sphericity is a measure of sampling adequacy that recommended checking the case to variable ratio for the analysis conducted. In most academic and business studies, KMO & Bartlett's test play an important role for accepting the sample adequacy. While the KMO ranges from 0 to 1, the world-over accepted index is over 0.6. In addition, the Bartlett's Test of Sphericity relates to the significance of the study and thereby shows the validity and suitability of the responses collected to the problem addressed through the study. For Factor Analysis recommended suitable, the Bartlett's Test of Sphericity must be less than 0.05. KMO is a test conducted to examine the strength of the partial correlation (how the factors explain each other) between the variables. KMO values closer to 1.0 are consider ideal while values less than 0.5 are unacceptable.

From our result, we had a KMO value of .898. It specify the degree of information overlap the presence of a strong partial correlation. Hence, it is plausible to conduct factor analysis.

The Bartlett's test of Sphericity is used to test the hypothesis that is correlated with the growth, impact and performance to provide the facility and its efficiency.

Communalities

	Initial	Extraction
Ca	1.000	.925
Cb	1.000	.918
Cc	1.000	.889
Cd	1.000	.810
Ce	1.000	.861
Cf	1.000	.916
Cg	1.000	.849
Ch	1.000	.897
Ci	1.000	.907
Da	1.000	.127
db	1.000	.861
dc	1.000	.875
de	1.000	.825
df	1.000	.835
dg	1.000	.878
dh	1.000	.903
di	1.000	.890
ea	1.000	.835
ebn	1.000	.822
ec	1.000	.777
ef	1.000	.772
Extraction Method: Principal Component Analysis.		

(Extraction Method: Principal Component Analysis)

This table shows the communalities of extraction of the variance that identify the variables and balance between the structure and management for the satisfaction of the customer.

Extraction communalities are estimates of the variance in each variable for the final 21 items. High values indicate that variables fit well with the factor solution and should be retained in the analysis. Maximum value is .925 and Minimum value is .772 both are co-related and interdependent.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
01	8.051	38.338	38.338	8.051	38.338	38.338	8.035	38.261	38.261
02	6.314	30.068	68.406	6.314	30.068	68.406	6.125	29.168	67.429
03	3.005	14.311	82.717	3.005	14.311	82.717	3.211	15.288	82.717
04	.935	4.452	87.169						
05	.372	1.771	88.940						
06	.319	1.519	90.459						
07	.301	1.435	91.894						
08	.266	1.267	93.161						
09	.216	1.030	94.190						
10	.203	.966	95.157						
11	.157	.748	95.905						
12	.144	.686	96.591						
13	.130	.620	97.211						
14	.122	.582	97.793						
15	.094	.448	98.241						
16	.088	.418	98.659						
17	.076	.360	99.019						
18	.067	.317	99.336						
19	.051	.244	99.581						
20	.047	.222	99.803						
21	.041	.197	100.000						

(Extraction Method: Principal Component Analysis)

The above table explains the total variance by all the variables under the study. It is clear from the above table there are three factors comprise of the total variance. The first factor explains about the service quality where all 9 components play a major role of the total variance. The second factor indicates about the facility in this factor 7 are applicable for their role but only 1 is not valid for the study. While the third factor explains about the customer satisfaction it highlights only 4 components effectively.

Component Matrix^a

	Component		
	1	2	3
Ca	.958		
Cb	.953		
Cc	.941		

Cd	.896		
Ce	.922		
Cf	.957		
Cg	.921		
Ch	.947		
Ci	.949		
Da			
db		.911	
dc		.925	
de		.894	
df		.896	
dg		.915	
dh		.933	
di		.931	
ea			.860
ebn			.859
ec			.834
ef			.802

It showed that component Matrix for the Factors affecting the growth and Efficiency of Banks had 3 Components. Component 1 Service Quality (X1), Component 2 was Facility (X2), Component 3 was Customer Satisfaction (X3), for affecting the growth and efficiency of Banks. The factor ‘Customer Satisfaction’ is the most important variable in interpreting the factor ‘Customer Satisfaction’. They have a significant role in contributing a great deal towards analyzing the factor ‘Customer Satisfaction’.

Rotated Component Matrix^a

	Component		
	1	2	3
Ca	.961		
Cb	.957		
Cc	.941		
Cd	.898		
Ce	.927		
Cf	.956		
Cg	.919		
Ch	.946		
Ci	.952		
Da			
db		.926	
dc		.929	
de		.903	
df		.911	
dg		.936	
dh		.948	
di		.938	
ea			.909
ebn			.904
ec			.878
ef			.864

Component Transformation Matrix

Component	1	2	3
1	.997	.046	.058
2	-.058	.969	.239
3	-.045	-.241	.969

(Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization)

Conclusion

The KMO and Bartlett’s test was conducted for the three factors that are responsible for the easy operation for the purpose of growth and efficiency of regional rural bank. The regional rural banks have been eminently successful in the organizing rural savings. Regional Rural Banks are determining loans to small and marginal farmers, artisans, self-employed persons etc. Regional Rural Banks recruit local persons which design the employment at the door steps of the rural peoples. Several Regional Rural Banks are earning profits. To enhance the functioning of Regional Rural Bank it was entrenched “Developing the rural economy by adding the purpose of development of agriculture, trade, commerce, industry and other productive facilities in the rural areas, and other facilities to small and marginal farmers.”Regional Rural Banks in Chhattisgarh is an intrinsic part of the rural credit arrangement of the state. It will also helps in financial security of Regional Rural Banks which helps it to play a prominent role in financial inclusion and meeting the credit requirements of rural areas.

Suggestions and recommendation

To Improve Regional RuralBanks some parties, take initiative for this and provide some solutions to the problems. For existence there is the necessity of feasibility and possibility of the management. Mobility of funds or transforming the savings of rural people in effective activity can be detached by using the funds transfer from urban to rural area with the help of Government policies. To lessen the cost of Regional Rural Banks state Government restructure agricultural credit on large scale in systematic manner. For Regional Rural Banks the process of recruitment should be modernized. There should be inclination to the regional people and also arrange proper drill about the work to employees. To control with the problem of immense growth of branches, there should be growth of number of employees to hold the work load. There should be free hand to overcome the problem to bring down the commercial bank branches in the rural area. The study affirms that there are variations in growth of Regional Rural Banks where the important inverted zone have given the least priority.Regional Rural Banks must be enlarge the good relation with the customers and should generate confidence to the consumers. In Chhattisgarh Regional Rural Banks should endeavor to growth their deposits in business sectors, enhance the services to customers, and offer different types of deposit schemes and competitive rates of interest. The Regional Rural Banks should commute loan policies. The Regional Rural Banks have to be very attentive and lessen the operating expenses, because it has been introduced from our study that these expenses have enlarged the total consumption of the banks.

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