

The Operational and Structural System of Regional Rural Banks in Financing Agriculture in Bareilly

ABSTRACT

A majority (i.e., 30%) of respondent's annual income has been fall in range of below 1,00,000. Collected data shows that 92.45 per cent of incomes come from interest earned and of the Bank in the ending year 2020 as against last year's position of 94.15 per cent while in ending year 2021, 90.49 per cent income comes from interest earned. Other income contributed 9.51 per cent of the total income during the ending year 2021 as against the last two years 2020 and 2019, figure of 7.55 per cent and 5.85 per cent. Rs. 1126.78 crores (51.56 per cent) of the amount were disbursed by the bank in ending 2021 on interest on deposits and the Reserve Bank of India compared to the disbursements of the last two years (2020 and 2019) on those paid interest of Rs. 1054.21 (51.38 per cent) crores and Rs.964.58 crores (50.03 per cent). The second major expense of the bank is operating expenses recorded as Rs. 546.27 crores (25.00 per cent) in the end of 2021 compared to the expenses of the last two years (2020 and 2019) for the operational expenses paid were Rs. 525.88 (25.63 per cent) crores and Rs. 504.99 crores (28.29 percent). Business per store was Rs. 36.32 crore in 2020-21 and business per employee was Rs. 9.01 crore in the same year.

Keywords: Operational, Structural, Regional Rural Banks, Financing and Income interest

Introduction

Regional Rural Banks were established in pursuance of the old 20- point economic programme. Initially, five regional rural banks were set up on 2nd October,1975 at Moradabad and Gorakhpur in Uttar Pradesh, Bhiwani in Haryana, Jaipur in Rajasthan and Malda in West Bengal respnsored by nationalized Banks.

Institutional credit flow to agriculture has been steadily rising due to various initiatives taken by government, RBI, NABARD and financial institutions. During 2019- 20, banks have disbursed ₹13.68 lakh crore to agriculture and allied sectors, about 8.8per cent more than the previous year. Commercial banks account for about three fourth of the total institutional credit flow to agriculture during 2019-20.

The share of commercial banks in total agriculture credit flow increased from 53.7per cent in 1999- 2000 to 77.2 per cent in 2019-20, while the share of Cooperative banks declined from 39.5 per cent to 10.9 per cent during the same period. Regional rural banks also have expanded their share of institutional credit flow to agriculture sector over two decades. The share of long-term credit has almost doubled in last seven years, from 22 per cent in 2012-13 to 40.3 per cent in 2019-20. Short-term credit has increased by a CAGR of 9.79 per cent during the past ten years while the long-term credit increased at 22.6 per cent during the same period.

Structural system of banking in India

The credit for agriculture in India is provided both by organized and unorganized agencies. The organized agencies consist of cooperatives, commercial banks, regional rural banks and the Government. The unorganized agencies consist of professional money-lender, traders, relatives and friends, landlords and others.

To increase profits and profitability over the bench marks fixed by the bank or Reserve Bank or the Govt.

To improve the productivity through better manpower utilization and by keeping the establishment cost low.

To contribute maximum to the capital fund to increase it through profits and reduce dependence on other sources and achieve capital adequacy.

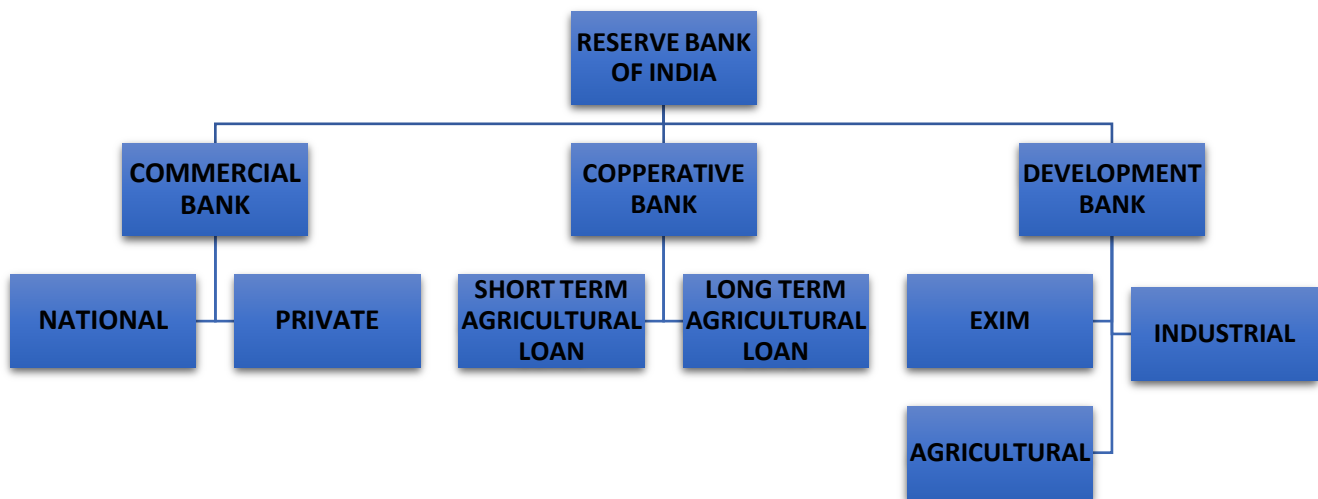


Figure 1: Structural system of banking in India

Objective

- Study of the operational and structural system of regional rural banks in financing agriculture.

Research methodology

There are 75 districts and 18 divisions in the state of Uttar Pradesh and the divisions are Agra, Aligarh, Prayagraj, Azamgarh, Bareilly, Basti, Chitrakoot, Devipatan, Ayodhya, Gorakhpur, Jhansi, Kanpur, Lucknow, Meerut, Mirzapur, Moradabad, Saharanpur and Varanasi. Bareilly town is the district headquarters. For administrative purpose this district was divided into 6 sub divisions, 6 tehsils and 15 blocks. There are 1193 Gram Panchayats and 1858 revenue villages. From 15 Blocks of district Bithri Chainpur block has been selected randomly for the study. There are 124 villages and 64 Gram Panchayat in Bithri Chainpur block. A list of villages in Bithri Chainpur block has been obtained from the office of Bithri Chainpur block. Bithri Chainpur block consists of 124 villages. at least 10 per cent sample respondents were selected randomly in proportion to different size groups, hence 10 farmers have been randomly selected from each village.

Data Analysis

1.Tabular Analysis

2.The Cobb-Douglas production function used here has the following identity:

$$Y = a + b_1X_1 + b_2X_2 + \dots + b_{12}X_{12}$$

3. Garrett Ranking of constraints

$$\text{Percent position} = 100 * (\text{R}_{ij} - 0.5) / \text{N}_j$$

Where,

R_{ij} = Rank given for i^{th} factor by j^{th} individual

N_j = Number of factors ranked by j^{th} individual

Result and discussion:

Operational Results of Regional Rural Banks

(a) Income

- **Interest Received:** This source of income comprises of interest on various types of loans and advances and discounting charges of bills
- Charges made for the operation of current accounts
- The commission charged for providing agency services

(b) Expenditure

- Interest paid by the Bank to the depositors e.g., interest on fixed and savings banks deposits and other types of accounts.
- Their operating expenses i.e. directors' and local committee members fees, auditors' fees, salaries and allowances to staff office expenses e.g., printing stationery, advertisements, postage and telegrams and stamps, rent, insurance, lighting etc.

Income Earned by Baroda U.P. Bank: The following table gives the details of the income earned by the Bank during last 3 Years.

Table 1. Particulars of Income Earned by Baroda U.P. Bank in Bareilly district (Amount in Crores)

Sl.No.	Particulars	2019	2020	2021
1	Interest Earned	1776.10 (94.15)	1931.96 (92.45)	2079.37 (90.49)

2	Other Income	110.34 (5.85)	157.81 (7.55)	218.57 (9.51)
	Total	1886.44	2089.77	2297.94

(Source: Various Annual Report of Baroda U.P. Bank)

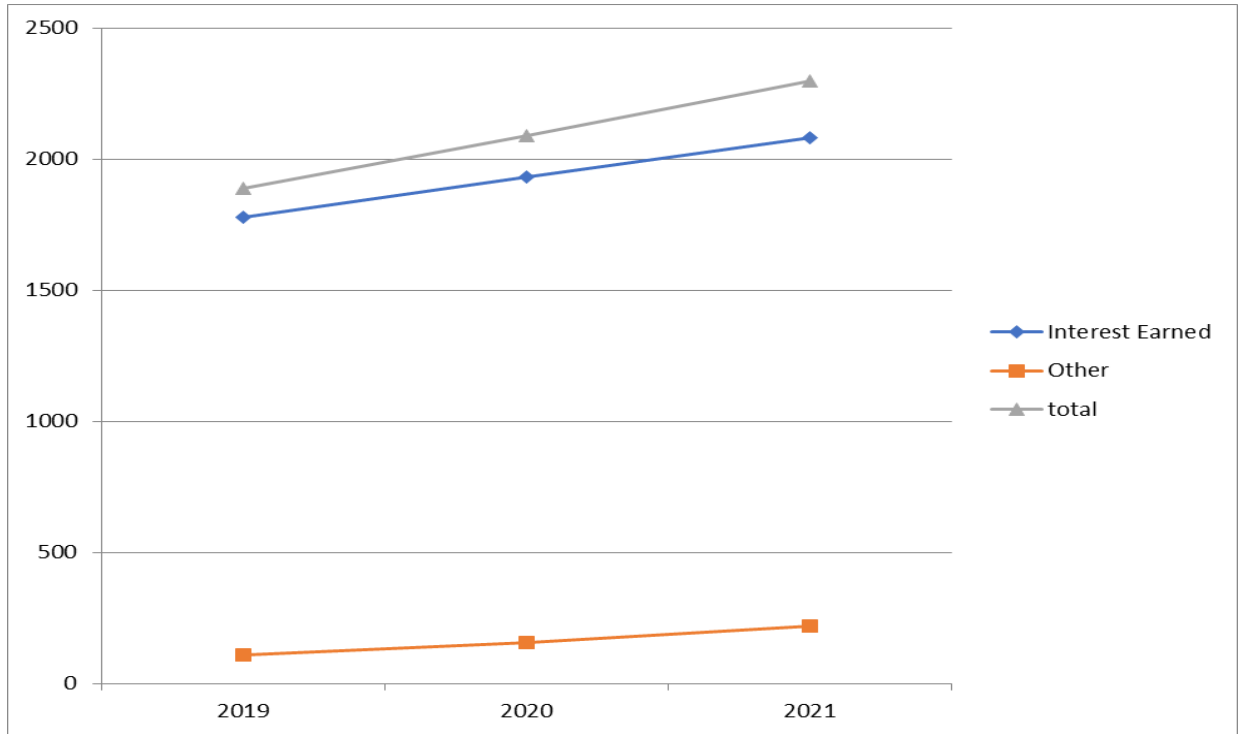


Figure 2: Particulars of Income Earned by Baroda U.P. Bank in Bareilly district

Table 2. Particular of Expenditure Incurred by Baroda U.P. Bank in Bareilly district
(Amount in crores)

Sl.No.	Particulars	2019	2020	2021
1	Interest Expended	964.58 (50.03)	1054.21 (51.38)	1126.78 (51.56)
2	Operating Expenses	504.99 (28.29)	525.88 (25.63)	546.27 (25.00)
3	Provisions & Contingencies	315.66 (17.68)	471.51 (22.98)	528.26 (24.00)
	Total	1785.23	2051.60	2201.31

(Source: Various Annual Report of Baroda U.P. Bank)

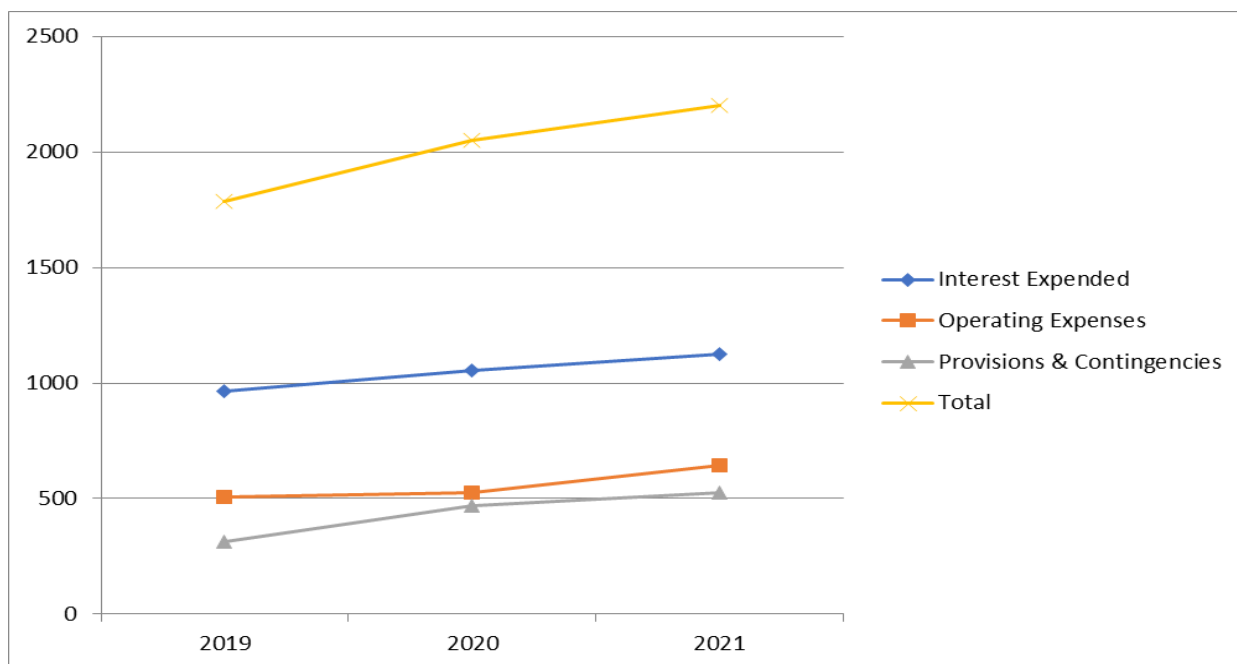


Figure 3: Particulars of Income Earned by Baroda U.P. Bank in Bareilly district

Table 3. Income and expenditure of the Baroda U.P. Bank in Bareilly district (Amount in crores)

Year	Income	Expenditure	Profit
2018-19	1886.44	1785.23	101.21
2019-20	2089.77	2051.6	38.17
2020-21	2297.94	2201.31	96.63

(Source: Various Annual Report of Baroda U.P. Bank)

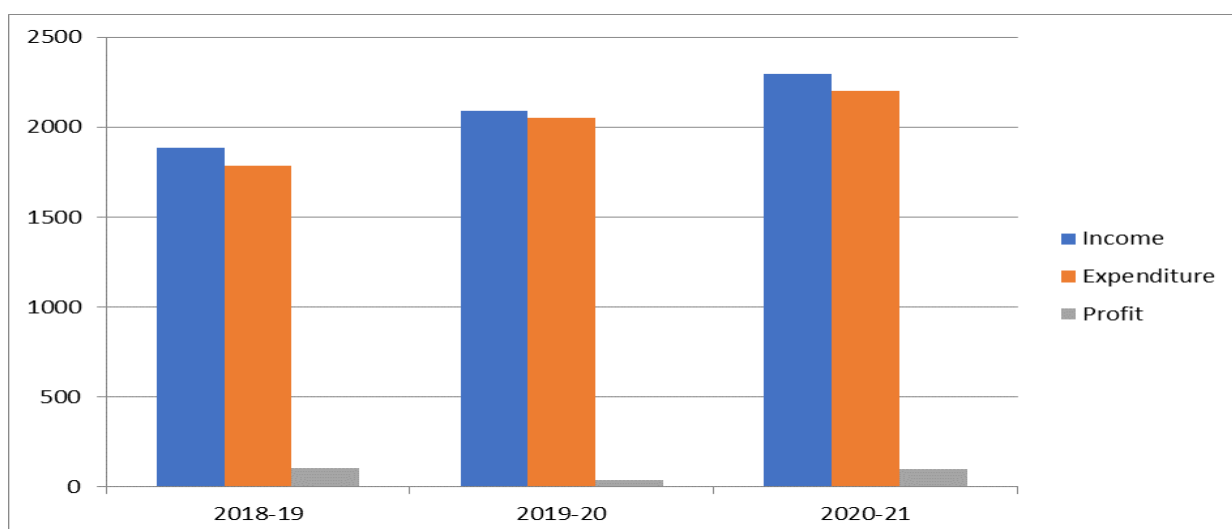


Figure 4: Income and expenditure of the Baroda U.P. Bank in Bareilly district

Performance of Baroda Uttar Pradesh Bank's Bareilly district:

The deposits of the Bank were Rs. 1860.82 crores in 2018- 2019 while in 2020-21 the deposits have been increased by Rs 2140.32 crores. It shows that the Bank has been endeavor to motivate and inculcate saving habits among the villagers. The advances of the Bank were Rs 702.83 crores in 2018- 2019 that has been increased by Rs. 801.61 crores in 2020-21. It shows that the Bank could increase disbursement of loans and advances to rural agriculturists, rural artisans and nonagricultural entrepreneurs through sustained efforts to increase lending.

Table 4: Performance of Baroda Uttar Pradesh Bank's Bareilly district

Sl.No.	Particulars		2019	2020	2021
1	Deposits		1860.82	1979.38	2140.32
2	Advances		702.83	727.88	801.61
	Credit deposit ratio		37.74	36.77	37.45
3	NPA	Gross NPA	93.32	82.12	69.38
		Net NPA	52.34	44.84	26.66
		Gross NPA to Total Advances	14.56	11.17	8.66
	Total credit disbursement		845.74	824.56	703.73
	Total Income		1886.44	2089.77	2297.94
	Total Expenses		1785.23	2051.60	2201.31
	Profit	Gross	126.87	132.92	145.88
		Net	101.21	38.17	96.63
	Business per Branch		31.98	33.64	36.32
	Business per Staff		6.12	7.66	9.01

	SB linkage to SHGs	122	167	458.
	Bank guarantee	2.76	4.65	7.12
	Bank Lockers	8	15	18

(Source: Various Annual Report of Baroda U.P. Bank)

Conclusions: In conclusion, the problem of rural poverty and unemployment requires a multi-pronged attack. It is good that one of the objectives of this bank is dedicated to promoting rural development and alleviating rural poverty. But there is an urgent need to examine issues and reorganize them in accordance with the following authorities concerned and the policy makers. There is an urgent need for a revision of the RRBs Act 1976, need for close relationship with Block Administrator and Branch Manager, need for staff. Loans are to be granted to economically viable projects. Aids should be taken from other Govt. departments. There should be staff planning in RRB's languages, ability to deal with illiterates, change in recruitment policy, provision of appropriate training facilities for beneficiaries.

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