



## PERFORMANCE EVALUATION OF REGIONAL RURAL BANKS IN KARNATAKA

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### ABSTRACT :

RRBs have been established to provide banking services in rural places to extend wide variety of financial services and assistance to weaker sections of the rural areas. The main purpose of these institutions is to promote agriculture and allied services by providing financial assistance to farmers, agricultural labourers, artisans and small entrepreneurs for improvement of socio-economic position of the people residing in rural areas. They devote special concentration to the economically backward sections and target groups in order to enable them to participate in the activities and share the benefits of rural development. The Research paper focuses on performance evaluation of Regional Rural Banks in Karnataka.



**KEYWORDS :** Marginal Farmers, artisans, Rural Development, Small entrepreneurs.

### INTRODUCTION

RRBs plays a major role for rural development. It has always been a focus area for policy makers in India as a large part of population in India is engaged in the rural sector. The Regional Rural Banks collects deposits from rural places and provide loans and advances to rural people. The RRBs mainly regulated and supervised by the NABARD but are also required to follow the directions of RBI.

RRBs in India are the major investors in variety of operations in rural areas. The concept of rural banking dates back to the time when the banking sector was established in India. Regional Rural Banks in India were set up with the aim of facilitating the promotion of rural business in India. RRBs are spread all across the country and have been playing an important part in the development of rural economy. The amplification of the rural business is important for the economic growth of India. As India is an agrarian economy, the progress of the rural business and promotion of agricultural sector would give the economy a boost.

### OBJECTIVES OF THE STUDY:

The following are the main objectives of the study:

1. To assess the performance of Regional Rural Banks in Karnataka.
2. To evaluate the performance of Pragathi Krishna Grameen Bank, Kaveri Grameen Bank and Karnataka Vikas Grameen Bank.

**RESEARCH METHODOLOGY:**

The present study is based on secondary data sourced from journals, magazines, articles and annual reports.

The present study analyze the performance of Regional Rural Banks in Karnataka for a period of 4 years from 2014-15 to 2017-18.

**DATA ANALYSIS AND INTERPRETATION:****Table-1: DEBT EQUITY RATIO:**

	YEAR	Borrowings	Net worth	Ratio
PKGB	2014-15	134356.07	95148.50	1.41
	2015-16	167793.97	105843.79	1.59
	2016-17	200161.97	122903.29	1.63
	2017-18	253594.00	137609.65	1.84
	<b>Average</b>	<b>188976.50</b>	<b>115376.30</b>	<b>1.62</b>
KGB	2014-15	75436.69	37447.57	2.01
	2015-16	55264.73	44139.32	1.25
	2016-17	51901.47	52277.25	0.99
	2017-18	58564.36	55487.07	1.06
	<b>Average</b>	<b>60291.81</b>	<b>17337.80</b>	<b>1.33</b>
KVGB	2014-15	264833.30	132828.46	1.99
	2015-16	217684.72	143732.83	1.51
	2016-17	188815.70	156950.28	1.20
	2017-18	205091.00	169337.34	1.21
	<b>Average</b>	<b>219106.18</b>	<b>150712.20</b>	<b>1.48</b>

Source: Compiled from annual reports of PKGB, KGB and KVGB.

Table-1 represents the information about the debt equity ratio of RRBs in Karnataka during the period under review. The debt equity ratio of PKGB shows an increasing trend during the study period. The ratio has shows an increasing trend from 2014-15 to 2017-18 i.e 1.41 to 1.84 times. The ratio of KGB is slightly decreased from 2.01 times in 2014-15 to 1.06 times in 2017-18. The ratio of KVGB is decreased from 1.99 times in 2014-15 to 1.21 times in 2017-18. The average debt equity of PKGB is more compared to other banks during the period under review.

**Table-2: RETURN ON ASSETS:**

	YEAR	Net Profit	Total Assets	Ratio
PKGB	2014-15	6108.02	1285109.86	0.48
	2015-16	13074.16	1541972.35	0.85
	2016-17	17059.50	1934446.71	0.88
	2017-18	14706.36	2108188.63	0.70
	<b>Average</b>	<b>12737.01</b>	<b>1717429.4</b>	<b>0.73</b>
KGB	2014-15	6943.88	719621.63	0.96
	2015-16	6881.19	879862.31	0.78
	2016-17	8523.49	1081906.88	0.79
	2017-18	3226.51	1014467.12	0.32
	<b>Average</b>	<b>6393.77</b>	<b>923964.49</b>	<b>0.71</b>
KVGB	2014-15	15494.75	1410855.33	1.10
	2015-16	10904.37	1551810.46	0.70

	2016-17	15375.05	1599296.44	0.96
	2017-18	10229.45	1748531.56	0.59
	<b>Average</b>	<b>13000.91</b>	<b>1577623.45</b>	<b>0.84</b>

Source: Compiled from annual reports of PKGB, KGB and KVGB.

Table 2 shows return on assets of RRBs in Karnataka during the period under review. The Return on assets ratio is fluctuating during the study period. The maximum ratio of the PKGB is 0.88 percent in 2016-17 and minimum ratio is 0.48 percent in 2014-15. The Maximum ratio of KGB is 0.96 percent in 2014-15 and the minimum ratio is 0.32 percent in 2017-18 and the maximum ratio of KVGB Bank is 1.1 percent in 2014-15 and the minimum ratio is 0.59 percent in 2017-18. The average ratio of PKGB, KGB and KVGB are 0.73%, 0.71% and 0.84 percent respectively.

**Table-3: INTEREST INCOME TO TOTAL INCOME:**

	YEAR	Interest Income	Total Income	Ratio
<b>PKGB</b>	2014-15	118454.92	124345.32	95.26
	2015-16	138426.56	149037.64	92.88
	2016-17	157395.40	173131.93	90.91
	2017-18	178238.53	189806.16	93.91
	<b>Average</b>	<b>148128.85</b>	<b>159080.26</b>	<b>93.24</b>
	<b>KGB</b>	2014-15	6870.27	68889.05
2015-16		77512.02	82502.22	93.95
2016-17		84858.96	96459.39	87.97
2017-18		90935.00	97216.57	93.54
<b>Average</b>		<b>65044.06</b>	<b>86266.81</b>	<b>90.96</b>
<b>KVGB</b>	2014-15	115471.92	127218.35	90.77
	2015-16	125971.05	136470.50	92.31
	2016-17	139538.06	152111.92	91.73
	2017-18	138646.75	152122.59	91.14
	<b>Average</b>	<b>129906.95</b>	<b>141980.84</b>	<b>91.49</b>

Source: Compiled from annual reports of PKGB, KGB and KVGB.

Table 3 reveals the interest income to Total Income of RRBs in Karnataka. The Interest income to total income ratio of RRBs is fluctuating during the study period. PKGB has the highest average interest income as compared to other banks (i.e 93.24%). KGB has the lowest average interest income during the study period (i.e 90.96%).

**Table-4: TOTAL ADVANCES TO TOTAL DEPOSITS:**

	YEAR	Total Advances	Total Deposits	Ratio
<b>PKGB</b>	2014-15	839974.11	1010481.28	0.83
	2015-16	1032612.92	1227833.05	0.84
	2016-17	1147952.22	1536132.67	0.75
	2017-18	1308142.39	1614672.51	0.81
	<b>Average</b>	<b>1082170.41</b>	<b>1347279.9</b>	<b>0.81</b>
<b>KGB</b>	2014-15	459295.00	590487.77	0.78
	2015-16	533070.88	763911.70	0.70
	2016-17	537464.53	963252.59	0.56
	2017-18	591939.88	887576.44	0.67
	<b>Average</b>	<b>530442.57</b>	<b>801307.13</b>	<b>0.68</b>
<b>KVGB</b>	2014-15	713971.65	991454.94	0.72
	2015-16	826067.93	1164417.95	0.71
	2016-17	893484.67	1200126.62	0.74
	2017-18	943486.27	1294419.25	0.73
	<b>Average</b>	<b>844252.63</b>	<b>1162604.7</b>	<b>0.73</b>

Source: Compiled from annual reports of PKGB, KGB and KVGB.

Table-4 represents credit deposit ratio of Regional Rural banks operating in Karnataka. The ratio of PKGB reflect the ability of optimum use of deposits due to its high credit deposit ratio (i.e 0.81 times). KVGB has the moderate ability to use their deposits (i.e 0.73 times) and KGB has the lowest ability of optimum use of deposits (i.e 0.68 times).

#### FINDINGS:

1. PKGB has highest debt-equity ratio when compared to other RRBs operating in Karnataka.
2. KVGB records highest return on assets ratio than other RRBs operating in Karnataka.
3. The average interest income of PKGB is more than KGB and KVGB banks.
4. The ratio of PKGB reflect the ability of optimum use of deposits due to its high credit deposit ratio (i.e 0.81 times).

#### SUGGESTIONS:

1. The RRBs must reinforce their recovery mechanism.
2. The RRBs should take use of all business opportunities available in the economy.

#### CONCLUSION:

Regional Rural banks in India are entered every corner of the country and providing banking facilities in rural areas in the economic development of the country. RRBs are considered as institutions which has the combination of local feel and familiarity of Co-operatives and ability of commercial banks. RRBs play a vital role in the growth and development of rural economy by extending banking facilities in rural areas.

#### REFERENCES:

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