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A Study on Financial Performance of Deccan Grameena Bank (Regional Rural Bank) in Telengana State in India

M. Doraswamy Naik¹

Assistant Professor
Department of Management Studies
TRR College of Engineering
Hyderabad – India

Dr. C. Sivarami Reddy²

Professor
Department of Commerce
S .V. University
Tirupati – India

Abstract: The necessity of rural finance was felt to provide protection and reliance to rural people who rely highly on informal source of finance like moneylenders, landlords and traders etc. but they exploit farmers and small entrepreneurs by charging exorbitant rate of interest and force farmers to sell their product at low price to them. Rural people also face the risk of unpredictable production of crops due to high dependency on monsoon. Rural banks are providing finance to the weaker sections of society like small farmers, rural artisans, small producers, rural laborers etc, to provide finance to co-operative e societies, primary credit societies, Agricultural marketing societies, Enhance and Improve banking facilities to semi urban, rural& other untapped market. The Regional Rural Banks help the rural people to come out from the financial problems and secured the financial assistance to agriculture in India. The study concentrated on Deccan Grameena Bank is of utmost importance in Telangana state to provide financial support to agriculture and performance of the bank in various Identified potential areas. This paper attempts to analyze the financial performance of Deccan Grameena Bank in Telangana during the period 2006-07 to 2012-2013. The study is based on secondary data collected from annual reports of DGB and RBI. An analytical research design of Key performance Indicators analysis such as number of Branches, Deposits and Borrowing, Loans, Recovery performance and growth rate index is followed in the present study.

Keywords: Regional Rural Banks, Key performance of DGB, Growth Rate, Credit facilities to agriculture, Economy.

I. INTRODUCTION

Regional Rural Banks have been in existence for around 39 years in the Indian financial scene. The institution of Regional Rural Banks (RRBs) was created to meet the excess demand for institutional credit in the rural areas, particularly among the economically and socially marginalized sections. The Banking Commission (1972) recommended establishing an alternative institution for rural credit and ultimately Government of India established Regional Rural Banks as a separate institution basically for rural credit on the basis of the recommendations of the Working Group under the Chairmanship of M. Narashimham. In order to provide access to low-cost banking facilities to the poor, the Narashimham Working Group (1975) proposed the establishment of a new set of banks, as institutions which “combine the local feel and the familiarity with rural problems which the cooperatives possess and the degree of business organization, ability to mobilize deposits, access to central money markets and modernized outlook which the commercial banks have”.

Agriculture is a major source of livelihood in India. The majority of poor people living in rural areas. Agriculture financing is best done by financial Institutions that have the capacity to diversify across geographical regions, economic sectors and agriculture sub sector. Agriculture finance significance is to increase access to financial services for farmers and other enterprises in rural areas. In most of the cases, the Indian farmers are not able to meet the expenditure, because of low size of the holdings, low productivity, low income and high level of consumption for domestic want. In earlier days the agricultural finance is provided only by Co-operatives, land development banks and private money lenders. After nationalization of

commercial Banks (1969) and establishment of Regional rural Banks in 1975 both banks are extending credit facilities for agricultural purpose. Venkata Rao and Sudarsana Rao (2014) studied the Performance of regional rural banks in india a study on Andhra Pradesh Grameena Vikas Bank in Andhra Pradesh.

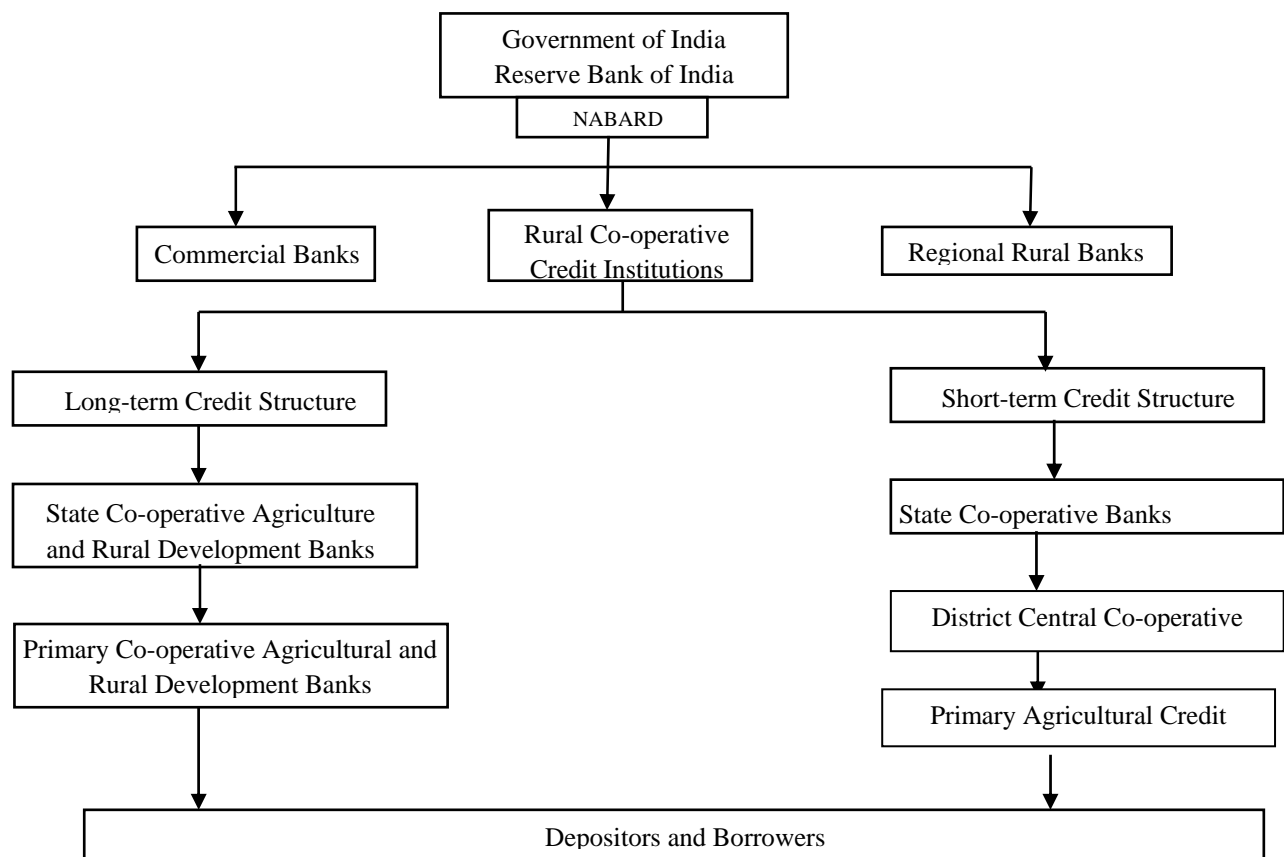
II. OBJECTIVE OF THE STUDY

1. To analyze the financial performance of Deccan Grameena Bank.
2. To study the growth-pattern and progress of the Deccan Grameena Bank during 2005-06 to 2012-13.
3. To study the national agriculture policy and programs in rural credit in India in general particularly in Telangana State.
4. To analyze institutionalization of credit, Commercialization of agriculture and adequacy of credit flow for production and consumption purpose

III. REGIONAL RURAL BANKS IN INDIA

Regional Rural Banks in India dates back to the years 1975. It's the Narasimham Committee that conceptualized the foundation of Regional Rural Banks in India. The committee felt the need of regionally oriented rural banks that would address the problems and requirements of the rural people in India. Regional Rural Banks were established under the provisions of an ordinance promulgated on 26th September 1975 and the RRB Act, 1975 with an objective to ensure sufficient institutional credit for agriculture and other rural sectors. The RRBs mobilize financial resources from rural/semi urban areas and grant loans and advances mostly to small and marginal farmers, agricultural laborers and rural artisans. The objectives of RRB are summarized as to provide cheap and liberal credit facilities to small and marginal farmers, agriculture, to save the rural poor from the money lenders, to act as a catalyst element and there by accelerate the economic growth in the particular region. To cultivate the banking habits among the rural people and mobilize savings for the economic development of rural areas. To cater to the needs of the backward areas which are not covered by the other efforts of the Government.

FIGURE: STRUCTURE OF AGRICULTURAL CREDIT SYSTEM IN INDIA



Source: RBI

IV. AGRICULTURE CREDIT SYSTEM IN INDIA

Money lenders in India are as old as its villages. A century ago, commercial banks have been involved in agricultural loans for nearly 50 years, the regional rural bank network is over 39 years old, and reforms in the banking system were triggered a decade back. Yet, credit flow to small farmers has remained far below needs, both for crop cultivation and for long term requirements such as land development, Irrigation and farm equipment as compared to the potential demand. The wide spread discontent among farmers has manifested itself in the form of mass voting against incumbent governments as also individual acts of despair such as farmers committing suicide, particularly in states like Andhra Pradesh, Telangana and Maharashtra. The structure of agricultural credit system in India shows in figure, which is self explanatory.

V. REVIEW OF THE TOPIC

The literature obtained by investigators in the form of reports of various committees, commissions and working groups established by the Union Government, NABARD and Reserve bank of India, the research studies, articles of researchers, bank officials, economists and the comments of economic analysts and news is briefly reviewed in this part. Lakshmi Narayana (1984)¹ in a study on regional rural banks in West Bengal found that the recovery work of overdue loans together with the normal work of processing new credit proposals and enlisting new borrowers hardly allowed the bank officials any time for guiding them in adopting improved farming techniques and making better use of credit. Singh and Upadhyya conducted a study on the (1984)² conducted a study on the loan recovery aspect of regional rural bank in Bihar. Crop failure, expenditure on marriage and other social functions in the family were considered important factors of non-payment of loans.

1. Lakshmi Narayana V. "Regional rural banks-problems and prospects A case study". Financing agriculture, 14(2), April-June, 1984, New Delhi, pp54-56.
2. Singh P.K. and Upadhyya, K.M., "A Study of loan recovery of Regional Rural Banks in Bihar" Financing Agriculture, 16(2) April -June, 1984 New Delhi, pp37-39.

Inadequate follow up measures and lack of serious attitude of borrowers towards repayment were also explained as reasons. while, Jagadeesh Prasad and Sunil Kumar (1985)³ in a study about regional rural bank in Bihar found that, the loans given to the poor were generally accepted as a dole or relief program, which was pointed out as the main reason for poor repayment.

Prasad (1985)⁴ in a study about Sri Visakha Grameena Bank in Andhra Pradesh revealed that regional rural banks were catering to the needs of rural society, Creating banking consciousness, but also serving as corner stone to the building of rural development.

A Study by Nagi Reddy and Rathna Kumar (1986)⁵ found that low yield, low market price for produce, repayment of other debts and other domestic expenditure as the main reasons for non-repayment of loan. while, better yield, desire to get future loans, persuasion by bank officials, etc. are the main reasons for prompt repayment. Rehman (1986)⁶ in his paper assessed the impact of the Grameena Bank on the existing rural power structure of Bangladesh.

The findings of the study indicate that Grammena bank members, being conscious of their status as opposed to the rural elites, have already developed a countervailing force to ensure their participation in the development process Balishter (1986) undertook a study to evaluate the performance of the Jamuna Gramin Bank. On the basis of the working results of the bank, it was concluded that, in the event of future expansion of rural banking, greater importance should be given to the extension and strengthening of the net-work of regional rural banks along with the expansion of branches of commercial banks.

3. Jagadish Prasad and Sunil Kumar, "Regional Rural Banks: A study" Kurukshetra, 33(8), May 1985, New Delhi, pp31-33.
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6. Rehman, A. "Impact of Grameena Bank Intervention on the Rural power Structure" Research monograph, Bangladesh Institute of 6, pp76-79 Development studies, No.61, Bangladesh, 198

Another study by Rehman (1987)⁷ highlights the factors which have contributed to the success of Grameena Bank Bangladesh, in reaching the poor through an innovative credit program. The design of the program, targeting the rural poor and women as clients, excellent implementation system, decentralized and participative management style and various other innovative polities were cited as the factors responsible for its success. An in depth household survey in five project villa-ges and to control villages found that Grameena Bank members had incomes about 43 percent higher than the non-participations in the adopted project work village. This effect on the income attributed to the increase in income from processing and manufacturing, trading and transport services financed by the bank.

Singh & kallkundrikar(1988)⁸ in their study have come to the conclusion that regional rural banks have exclusively financed the weaker sections, showing the image of small man's bank. The study made it clear that, since the objectives of the regional rural banks had been the extension of credit to the rural poor and based on the profit motive. It is not justifiable to argue that the concept of the regional rural banks should be done away with, only because they are proved to be unprofitable . Dr. Ishwara P,(2010)in his paper an attempt has been made to study the performance of the RRBs since 1980 to 2009. In order to know the implications of transformation of RRBs in 2004,the study focused on financial results before and after amalgamation. Professor Dilip Khankhoje and Dr.Milind Sathye (2008) have analyzed to measure the variation in the performance in terms of productive efficiency of RRBs in India and to assess if the efficiency of these institutions has increased post -restructuring in1993-94or not. Dr.M.Syed Ibrahim (2010) carried out a study on the topic” performance evaluation of regional rural banks in India.” In this study, it was concluded that RRBs in India showed a remarkable performance in the post merger period.

7. Rehman.A “Alleviation of rural poverty: Replicability of Grameena Bank Model”Grameena bank Evaluation project, Agriculture and Rural development studies, Economic and political weekly, Vol.7, November, 1987.pp2934.
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VI. OVERVIEW OF DECCAN GRAMIN BANK

The bank was established on 24.03.2006 by amalgamating four RRBs sponsored by State Bank of Hyderabad, viz, Sri Saraswathi grameena Bank, Sri Satavahana Grameena Bank, Sri Rama Grameena Bank and Golconda Grameena Bank and introducing as Deccan Grameena Bank with head quarter at Hyderabad by giving various facilities like low rate of interests and best credit facilities etc.The Deccan Grameena Bank is covering 5 districts in Telangana State, majority of them are backward districts i.e.,Adilabad, Nizamabad, Karimnagar, Rangareddy and Hyderabad(urban). The authorized share capital of the bank is Rs. 5 crores. The paid up capital is Rs.4 crores which is contributed by Government of India, Sponsor Bank i.e., State Bank of Hyderabad and Government of Telangana in the ratio of 50:35:15 respectively.

The DGB is growing with consistent performance from branch level to Regional level. During the year 2012-13,the bank introduced new products i.e., Deccan Haritha and Deccan Shakti in term deposit segment with a view to enlarge small investor base , the focus of the bank has been spread across many areas in business development. The most significant of them are structural adjustments in deposits portfolio for sustainable business growth. The vision of the bank is to be the premier RRB in the state providing technologically advanced, committed and quality service in all spheres of banking and be the most trusted bank for rural development.

The mission of the bank with “Providing transparent and efficient Banking Services at a reasonable cost at the doorsteps of our customers by ensuring 100% Financial Inclusion, empowerment of rural customers, promote Self Help Group (SHG) movement with special emphasis on women and earn continuous profits by having a healthy business mix thus becoming a leading Bank in our area of operation”. This paper throws light in the various aspects of DGB such as branch wise development, DGB financial Performance, classification of assets Recovery, Profitability etc.

VII. BRANCHES PERFORMANCE

The table 1 contains the development of the branches across Telangana during the years 2005-06 to 2012-13. The performance indicator shows the branches' development in rural, semi urban, urban areas in 5 districts of Telangana. On examination of data presented in table 1 most of the branches are clearly placed at rural areas with 83.13% (138) in the year 2005-2006 and maximum reached to 186 branches in the financial year 2012-2013. The metropolitan areas 13 branches in the financial year 2012-2013. It has less focus on semi urban and urban in areas because it is Under RRB.

Table 1: DEVELOPMENT OF BRANCHES IN DGB DURING 2005-06 TO 2012-13

Performance indicator	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
i) Rural	138 (83.13)	138(83.13)	142(82.08)	149(74.50)	155(72.09)	160(70.80)	168(69.14)	186(69.14)
ii) Semi Urban	17 (10.24)	17 (10.24)	19(10.98)	30(15.00)	35(16.28)	36(15.93)	42(17.28)	50(18.60)
iii) Urban	11(6.63)	11(6.63)	12(6.94)	21(10.50)	25(11.63)	30(13.27)	33(13.58)	20(7.43)
iv) Metropolitan	–	–	–	–	–	–	–	13(4.83)
Total Number of branches	166(100)	166(100)	173(100)	200(100)	215(100)	226(100)	243(100)	269(100)

Source: Compiled from the annual reports of DGB Govt. of Telangana.

From the financial years 2007-08 to 2012 -13 the bank zooming on branch expansion and slowly increased, by the end of the 2012-13 (269) during the period under study. It may be concluded from the analysis that DGB will expand its branches all over the rural areas in Telangana State to assist the farmers financial needs.

VIII. PERFORMANCE OF LOANS ISSUED

In the table 2, it is observed that the performance of loan issued to the public from the financial year 2005-06 to 2012-13. The performance indicator focus on loans issued to various sectors like Priority Sectors, Non-priority Sectors, SC/ST, Small Farmers, Medium Farmers, Agricultural labour and Minorities

An analysis of Table 2 reveals that fluctuations in growth of loan performance. In the year 2005-06 growth percentages is 12.41% and highest percentage in the year 2009-2010 growth percentage is 44.71%. The Priority sector has picked up its growth in the year 2012-2013 with 1.69 crores. The bank has given loan preference to priority sectors. The non-priority sector has increased up its growth in the year 2012-13 with 0.28 crores. There is significant increase in SF/MF/AL's loans are observed in the years from 2006-07 to 2007-08 there is an increase of 50%.

The small and medium loans are also improved by observing the financial years from 0.13 crore to 0.50 crores 2005-2006 to 2012-2013, but the financial year 2008-09 and 2010-11 decreased with compared to the financial year 2007-08 and 2009-2010 because the concentration of the banks is more on expansions of the branches.

Table: 2
PERFORMANCE OF DGB IN THE FINANCIAL YEARS 2005-06 TO 2012-13 (LOANS ISSUED TO VARIOUS SECTORS)

Performance indicator	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Loans Issued	5288000	6784410	8802663	7319145	10591752	10244341	13550758	20895962
Growth (%)	12.41	28.30	29.75	-	44.71	–	–	–
Priority Sectors	3458600	5282810	6765218	5846912	8116924	8384627	10785338	16986938
Non-priority sectors	1829400	1501600	2037445	1472233	2474828	1859714	2765420	3909024
SC/ST	345154	453094	1069866	2953896	3884723	3442657	4065282	2106500
SF/MF/AL	1317250	1721510	3423880	2788614	3969214	3624183	4923600	5029350
Minorities	105411	121172	150748	42371	59107	42638	182200	98900

Source: compiled from the annual reports of DGB Govt. of Telangana.

IX. PERFORMANCE OF RECOVERY

Table 3 shows that the recovery performance of the DGB for the financial years from 2005-06 to 2012-13. The recovery particulars focused on the demand, recovery, over dues and percentage of the recovery.

A closer observation of Table 3 the demand is increased as well as the over dues also increased and the percentage of recovery improved from the financial year 2005-06 to 2012-2013 .The highest recovery can be seen in the year 2007-08 with 85.98% and the lowest recovery can be Observed in the year 2012-13 with 74.04%. It shows the trend will be continued in future. This is a positive sign in the recovery performance of DGB in rural agriculture sector.

Table: 3
RECOVERY PERFORMANCE OF THE DGB FOR THE PERIOD
2005-06 TO 2012-13

	Rs.in.000's							
Recovery Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Demand	2732697	3513463	4428077	5690156	9112611	9659315	10580797	12277391
Recovery	2162028	2792788	3807227	4588552	7077070	7669958	8074988	8598992
Over dues	570669	720675	620850	1101604	2035541	1989357	2505809	3678399
Recovery % (June Position)	79.00	79.49	85.98	80.64	77.66	79.40	76.32	70.04

Source: compiled from the annual reports of DGB Govt. of Telangana.

X. DEPOSIT AND BORROWINGS INTEREST PERFORMANCE

Table 4 contains the deposits and borrowings interest performance of DGB in the financial years 2005-06 to 2012-13.The particulars gives the interest paid on deposits and borrowings.

It shows that there is an improvement in growth of deposits and borrowings in the year 2005-06 it has the deposits of 17.81% compared with the 2012-13 financial year. There is significant increase in deposits are observed in the years from 2005-2006 to 2011-12.The borrowings are shown growth of 9.14% in the years from 2010-11 to 2011-12.

Hence, it may be concluded that bank provides best interest rates compared with the nationalized banks and it has expanded branches all over the five districts in Telangana. The rural people are mostly interested to deposit in the nearest banks. There is every scope that may gain more deposits in future by maintaining its performance.

Table: 4
DEPOSITS AND BORROWING ANALYSIS OF DGB DURING THE YEARS
2005 -06 TO 2012-2013

	Rs.in.000's								
Particulars Interest paid on	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	Total
Deposits	535436 (5.61%)	674205 (7.06%)	670948 (7.02%)	938041 (9.82%)	1195891 (12.53%)	1421660 (14.90%)	1875521 (19.64%)	2236006 (23.42%)	9547708 (100%)
Borrowings	62450 (2.63%)	89699 (3.78%)	126741 (5.34%)	266790 (11.24%)	302064 (12.72%)	371272 (15.64%)	588324 (24.78%)	566802 (23.87%)	2374142 (100%)

Source: compiled from the annual reports of DGB Govt. of Telangana.

XI. PROFIT ABILITY PERFORMANCE

Table 5 describe that the profitability performance of DGB during the years 2005-06 to 2012-2013, and the particulars about Total Income, Total expenditure and Net profit of the bank.

It is observed from analysis of Table 5 the total income from the year 2006-07 to 2012-13 has been progressed from 133 Cr. to 457 Cr, an increase from 7.1 percentage to 24.34% compared with overall percentage within seven years period. The expenditure also increased from 132 Cr. to 380 Cr. from the financial years 2006-07 to 2012-13.

Table: 5
PROFITABILITY ANALYSIS OF DGB DURING THE YEARS
2006-07 TO 2012-2013

Particulars	Rs.in.000's							Total
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	
Total Income	1326474 (7.1%)	1487445 (7.92%)	1981083 (10.54%)	2549483 (13.56%)	3091684 (16.45%)	3775546 (20.10%)	4573699 (24.34%)	18785414 (100%)
Total expenditure	1316474 (8.26%)	1477445 (9.28%)	1582227 (9.93%)	2000483 (12.56%)	2460630 (15.46%)	3283026 (20.61%)	3807099 (23.90%)	15927384 (100%)
Net Profit	10000 (0.35%)	10000 (0.35%)	398856 (13.95%)	549000 (19.22%)	631054 (22.08%)	492520 (17.23%)	766600 (26.82%)	2858030 (100%)

Source: compiled from the annual reports of DGB Govt. of Telangana.

The expenditure is increased from 8.26 % to 23.90% within this seven years period. The Net profit is also increased by 10Cr. to 766 Cr. during the period under study. In other words it has increased from 0.35% to 26.82% compared with the total percentage within seven years period.

It can be concluded from the analysis that the total income increased by 325 cr. Showing a consistent improvement in total income. The total expenditure is also increased progressively. An enormous growth of 756 cr. Is seen in the net profit within a span of seven years.

XII. CONCLUSION

India is primary agricultural based and rural density populated country compared with urban areas, which needs the financial assistance as well as rural friendly, policies to develop rural areas. The RRBs are playing a vital role in the development of rural and needy agriculture poor people in all spheres. The DGB is one of the growing banks in Telangana State to serve the poor agricultural farmers. The DGB will expand its branches all over the rural areas in Telangana to assists the farmer's financial plight. There is a consistent improvement in all the thrust areas of the bank.

XIII. SUGGESTION

The growth of branches for the study period is meager which is not in tune with the population growth in absolute figures. Hence there is every need for DGB to increase the number of branches in order to increases its network and also to facilitate the small and medium farmers.

By analyzing the performance of the DGB the bank has to improve the credit facility system to agriculture farming communities.

It needs ATMs in the rural areas as well as urban areas to enhance their Services.

It has to expand its branches to other districts of Telangana.

Conducting farmers financial awareness programs in rural areas.

DGB can expand its services through post offices for financial transactions in the rural areas.

In view of food security bill there is a need to increase the production of pulses and cereals under circumstances. The DGB should come to the support of small and medium farmers who are the back bone of Indian agriculture and national economy.

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AUTHOR(S) PROFILE



Mr. M. Doraswamy Naik received M.Com degree from S.V.University Tirupati, Andhra Pradesh, India in 2005-2007.

Present working as Assistant Professor in the department of Management Studies, TRR College of Engineering, Hyderabad, India.



Dr. C. Sivarami Reddy received Ph.D degree in Commerce from S.V. University, Tirupati, Andhra Pradesh, India.

Present he is retired professor, Department of Commerce, S.V. University, Tirupati, Andhra Pradesh, India.