

Regional Rural Banks (RRBs) : Performance Analysis

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INTRODUCTION

Agriculture and rural development form an integral part of India's development strategy, even in these days of electronic and telecommunication revolution that is having an edge over other development instruments. Rural development has been a sine qua non in the process of accelerating the pace of economic development and significantly improving the standard and quality of living of rural households. It is needless to emphasize that credit is a vital input for accelerating the pace of development of the rural economy through financing of agriculture and allied activities. Rural infrastructure and poverty alleviation programmes are meant for the weaker sections of the rural population.

Majority of the rural folk are not able to meet their day-to-day requirements from their own sources of income, not to speak of investments in other productive enterprises for improving their economic conditions. Therefore, they have to depend on various financial agencies for arranging funds for making investment. Rural credit in India is a part and parcel of its economic development. Rural population is composed of agricultural producers, tenant cultivators, village artisans and landless labours. All these categories are in need of credit.

However, among the numerous adversities of agroclimatic and socio political dimensions, the single biggest problem the rural people face is the non-availability of credit at the right time and at the right rate and quantum. Organized institutional credit had hardly played its role for the farming community during the early years.

A large portion of cultivating class in India comprises of small and marginal cultivators and nearly 50 per cent of the rural households are landless agricultural labourers. Besides, there are a sizeable number of poor rural artisans who carry on industrial operations. The family budget of most of these rural artisans is chronically inadequate. They hardly have any savings to fall back upon for any investment purpose. In such a situation, the role of credit is dynamic and of immense importance.

In rural areas, the indigenous money lender continued to be the banker in need. Since these moneylenders had virtual monopoly in supplying the credit in rural areas, the poor were often subjected to exploitation with the overriding monopoly. The money lenders often resorted to usurious practices like levying exorbitant rates of interest, demanding advance interest. Often, unethical practices also continued like taking the thumb impression on a blank paper for inserting some arbitrary amount, manipulation of the account to inflate the balance due, taking a conditional sale deed, exacting free domestic services and inflicting coercive social control leading to loss of face of the poor debtor.

In this context, it is worthwhile to examine critically the development of credit structure in rural India. Since the beginning of this century, a number of experiments have been conducted on the Indian rural credit scene. The co-operatives were considered the first Institutional agency set up for providing credit and other facilities to the rural sector. But the co-operatives could not play any major role in mitigating the miseries of the village farmers.

The performance of commercial banks was also not satisfactory. In spite of the tremendous growth in the number of branches, particularly in the rural areas, and a sizeable growth of manpower, the rural activities more or less remained almost untouched by the commercial banks.

The Government of India also felt that it was necessary to establish new institutions entirely different from the existing system and appointed a working group under the chairmanship of M. Narasimham, who examined the problem of rural finance and suggested the setting up of new types of banks called **Regional Rural Banks**.

STATEMENT OF THE PROBLEM

Regional Rural Banks, which appeared on the banking map of the country in 1975, have now become one of the main planks of the organized rural credit structure. These banks are State-sponsored, regionally-based and rural-oriented, functioning specifically to meet the credit needs of the weaker sections of the rural population including small and

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marginal farmers, landless labourers, rural artisans and small businessmen. At present, the Regional Rural Banks have developed a countrywide network of branches through which they are engaged in the stupendous task of promoting rural development and alleviating rural poverty. One of their unique achievements is that they have reached remote rural pockets where commercial and co-operative banks could not stretch their hands. Regional Rural Banks attend to the credit needs not only of agriculture and allied activities, but also of rural artisans, small-scale industries and other productive activities in the tertiary sector. In this way, RRBs contribute to simultaneous development in different sectors of the economy.

It has been explicitly mentioned in Regional Rural Banks Act that such banks shall, in particular, extend financial assistance to small and marginal farmers and agricultural labourers, individually or in groups. India constitutes a majority of villages, which comprise of more than 60 per cent of the population. The development of the Indian economy lies in the growth of villages. In view of the growing importance attached to rural development in the process of overall economic development of the country, this study assumes importance.

In Tamil Nadu, there are three Regional Rural Banks consisting of branches covering 10 districts. They have deployed enormous funds for the development of different sectors and sections. Therefore, this study also analyses the performance of RRBs, particularly in Tamil Nadu.

SCOPE OF THE STUDY

This study was mainly planned to evaluate the performance of Regional Rural Banks in Tamil Nadu through growth rates of deposits, advances, incomes, expenditures and profits. Further, this research compares the deposits, advances, incomes, expenditures and profits of RRBs in Tamil Nadu among themselves and with the RRBs at the National level. This study also examines per branch and per employee amounts of RRBs in Tamil Nadu.

OBJECTIVES OF THE STUDY

The objectives of the study are:

- ✿ To analyze the deposit mobilization and lending performance of RRBs in Tamil Nadu.
- ✿ To analyze the income, expenditure and profits of RRBs in Tamil Nadu.
- ✿ To compare the deposits and advances of RRBs operating in Tamil Nadu among themselves and with RRBs at the National level.
- ✿ To compare the income and expenditure of RRBs operating in Tamil Nadu among themselves and with RRBs at the National level.
- ✿ To offer suitable suggestions on the basis of the findings of the study.

PERIOD OF THE STUDY

This study covers a period of nine years from 1996-97 to 2004-05.

METHODOLOGY

The present study is mainly based on secondary data. The data required for the purpose of the study were collected from head office and regional offices of RRBs, NABARD and RBI. The data have also been taken from the annual reports, occasional papers of NABARD, brochures, press releases, RBI Bulletin, journals, magazines, books and web sites.

REGIONAL RURAL BANKS IN TAMIL NADU

In Tamil Nadu, there are three Regional Rural Banks operating with 210 branches covering ten major districts. They are:

1. Pandyan Grama Bank
2. Adhiyaman Grama Bank
3. Vallalar Grama Bank

DEPOSITS OF RRBs IN INDIA AND TAMIL NADU

The RRBs in India accept deposits from the public and others in the form of savings deposits, current deposits and term

or time deposits. For convenience, the deposits may be grouped only as demand and term deposits. Demand deposits consist of savings and current deposits.

Table 1 :Composition Of Deposits By Category Of RRBs In Tamil Nadu

Year	Term Deposit (Rs. in lakhs)	Percentage to Total	Demand Deposit (Rs. in lakhs)	Percentage to Total	Total (Rs. in lakhs)
1996-97	13892.79	65.94	7173.14	34.05	21068.93
1997-98	16267.61	58.53	11583.5	41.68	27794.11
1998-99	20495.06	62.60	12246.23	37.40	32741.29
1999-00	27876.32	66.35	14137.04	33.65	42013.36
2000-01	35108.76	68.97	15793.53	31.03	50902.29
2001-02	40750.54	67.53	19594.49	32.47	60345.03
2002-03	46325.91	66.58	23255.68	33.42	69581.59
2003-04	49889.38	63.30	28919.49	36.70	78808.87
2004-05	51596.77	60.54	33625.95	39.46	85222.72

Source : Consolidated Annual Reports of RRBs in Tamil Nadu from 1997 to 2005.

It is clear from Table 1 that the share of term deposits to total deposits mobilized by RRBs in Tamil Nadu witnessed a fluctuating trend during the period under study. It varied from 58.53 per cent to 68.97 per cent. Also, the share of demand deposits mobilized by RRBs in Tamil Nadu revealed a fluctuating trend, ranging between 31.03 per cent and 41.68 per cent. These data also indicate that the RRBs had shown significant achievements in mobilization of savings in rural areas both in quantitative and qualitative terms. Table 2 gives details of deposits of RRBs in India.

Table 2 :Composition Of Deposits By Category Of RRBs In India

Year	Term Deposit (Rs. in crores)	Percentage to Total	Demand Deposit (Rs. in crores)	Percentage to Total	Total (Rs. in crores)
1996-97	14025	82.64	2947	17.36	16971
1997-98	17173	81.86	3805	18.14	20978
1998-99	20740	81.56	4688	18.44	25428
1999-00	24946	83.01	5105	16.99	30051
2000-01	30528	82.45	6499	17.55	37027
2001-02	35504	82.15	7716	17.85	43220
2002-03	39544	81.79	8802	18.21	48346
2003-04	45991	80.67	11019	19.33	57010
2004-05	44813	72.11	17330	27.89	62143

Source: Consolidated RBI Reports on Trend and Progress of Banking in India from 1995 to 2005.

It is found that the share of term deposits had registered more than 80 per cent in all the years of study except in the year 2004-05. In that year, it was 72.11 per cent of total deposits. On the other hand, the share of demand deposits registered was around 18 per cent over the years of study, except in the year 2004-05. It was also inferred from the table that the RRBs in India were concentrating on mobilizing term deposits more than on demand deposits.

LOANS AND ADVANCES OF RRBs IN INDIA AND TAMIL NADU

Loans and Advances are the principal components of banks assets and the main source of income of banks. Bank advances in India are usually made in the form of cash credit and overdraft. The loans may be demand or term loans.

Table 3 : Composition Of Advances By Activities Of RRBs In Tamil Nadu (Rs. In Thousands)

Year	Agriculture	Percentage to Total	Industries	Percentage to Total	Services	Percentage to Total	Others	Percentage to Total	Total
1996-97	NA	-	NA	-	NA	-	782300	42.63	1835003
1997-98	961145	47.68	182395	9.05	278444	13.81	593814	29.46	2015798
1998-99	1104003	52.14	194978	9.21	308835	14.59	509502	24.06	2117318
1999-00	1149874	45.94	195443	7.81	368203	14.71	789379	31.54	2502899
2000-01	1341725	41.45	226843	7.01	557218	17.21	1111328	34.33	3237114
2001-02	1695202	40.69	492341	11.82	606673	14.56	1371667	32.93	4165883
2002-03	1872650	35.38	677742	12.81	1214161	22.94	1527839	28.87	5292392
2003-04	2545388	38.10	792525	11.86	1899141	28.43	1444109	21.61	6681163
2004-05	4286807	51.79	82112	0.99	2620279	31.66	1288140	15.56	8277338

Source : Consolidated Annual Reports of RRBs in Tamil Nadu from 1997 to 2005.

Table 3 presents the information on the advances of RRBs in Tamil Nadu. All categories of advances had shown an increasing trend. Among the categories, the lending to agriculture had played an important role in total advances, which constituted more than 35 per cent during the period under study. The share of credit to industries ranged between 12.81 per cent and 0.99 per cent. The share of lending to service sector had increased from 13.81 per cent to 31.66 per cent over the years. The proportion of lending to other sector had gradually decreased from 42.63 per cent to 15.56 per cent during the study period. Table 4 indicates the composition of loans and advances by activities of RRBs in India.

Table 4 :Composition Of Advances By Activities Of RRBs In India (Rs. In Crores)

Year	Agriculture	Percentage to Total	Industries	Percentage to Total	Services	Percentage to Total	Others	Percentage to Total	Total
1996-97	4044	46.39	1972	22.62	672	7.71	2030	23.29	8718
1997-98	2059	44.43	787	16.98	194	4.19	1594	34.40	4634
1998-99	5460	48.08	2882	25.38	722	6.36	2292	20.18	11356
1999-00	6227	47.50	2737	20.88	773	5.90	3372	25.72	13109
2000-01	7217	45.69	2197	13.91	561	3.55	5819	36.84	15794
2001-02	8405	45.12	3210	17.23	671	3.60	6343	34.05	18629
2002-03	10261	46.31	3594	16.22	695	3.14	7608	34.34	22158
2003-04	11722	44.89	4040	15.47	715	2.74	9638	36.91	26115
2004-05	16710	50.84	4944	15.04	713	2.17	10504	31.96	32871

Source : Consolidated RBI Reports on Trend and Progress of Banking in India from 1995 to 2005.

It is also revealed that the share of advances of agricultural sector had ranged between 44.43 per cent and 50.84 per cent. The share of advances to industries constitutes only less than 20 per cent of total advances. In case of services, the share of advances had shown a decreasing trend ranging between 7.71 per cent and 2.17 per cent during the period under study. The advances to other sectors constituted one-third of the total advances, ranging between 20.18 per cent and 36.91 per cent.

COMPONENTS OF INCOME OF RRBs IN INDIA AND TAMIL NADU

The various sources from which RRBs obtain their funds entail a number of expenditure and profit to be realized. It is seen from Table 5 that the total income of RRBs in Tamil Nadu accounted for an increasing trend during the period of study. The share of interest income to total income registered more than 90 per cent in all the years of the study except in the year 2003-04. The share of other income to total income over the years was around 5 per cent of the total income. But it was 10.43 per cent in 2003-04. Similarly, the components of Income of RRBs in India are shown in Table 6.

Table 5 :Components of Income of RRBs in Tamil Nadu (Rs. in Thousands)

Year	Interest Income	Percentage to Total	Other Income	Percentage to Total	Total
1996-97	321220	94.03	20383	5.97	341603
1997-98	403757	93.70	27151	6.30	430908
1998-99	502496	94.50	29236	5.50	531732
1999-00	580352	94.33	34897	5.67	615249
2000-01	689275	94.48	40287	5.52	729562
2001-02	823370	94.73	45783	5.27	869153
2002-03	938980	94.87	50814	5.13	989794
2003-04	940302	89.57	109478	10.43	1049780
2004-05	963946	93.13	71144	6.87	1035090

Source : Consolidated Annual Reports of RRBs in Tamil Nadu from 1997 to 2005.

Table 6 : Components of Income of RRBs in India(Rs. In crores)

Year	Interest Income	Percentage to Total	Other Income	Percentage to Total	Total
1996-97	1606	94.81	88	5.19	1694
1997-98	2383	95.02	124	4.94	2508
1998-99	3286	95.44	157	4.56	3443
1999-00	3945	94.88	213	5.12	4158
2000-01	4626	95.19	234	4.81	4860
2001-02	5191	93.30	373	6.70	5564
2002-03	5501	92.75	430	7.25	5931
2003-04	5538	88.69	706	11.31	6244
2004-05	5676	92.49	461	7.51	6137

Source : Compiled from RBI Reports on Trend and Progress of Banking in India from 1995 to 2005.

It is clear that the interest income of RRBs in India forms a major share in total income. It ranges between Rs. 1606 crores and Rs. 5676 crores during the study period. The share of interest income to total income was around 95 per cent in all the years except in the year 2003-04, when it was 88.69 per cent. The other income only constitutes a minor portion of total income, which ranges between 4.56 per cent and 11.31 per cent.

COMPONENTS OF EXPENDITURE OF RRBs IN INDIA AND TAMIL NADU

Table 7 explains the expenditure pattern of RRBs in India .

Table 7 : Components Of Expenditure Of RRBs In India (Rs. In Crores)

Year	Interest Paid	Percentage to Total	Other Operating Expenses	Percentage to Total	Provisions & Contingencies	Percentage to Total	Total
1996-97	1134	49.67	613	26.85	536	23.48	2283
1997-98	1622	65.83	772	31.33	71	2.88	2464
1998-99	2125	66.51	983	30.77	87	2.72	3195
1999-00	2565	68.80	1057	28.35	107	2.87	3728
2000-01	2966	69.64	1164	27.33	130	3.05	4259
2001-02	3329	67.17	1461	29.48	166	3.35	4956
2002-03	3513	64.98	1703	31.50	190	3.51	5406
2003-04	3360	61.37	1829	33.41	286	5.22	5475
2004-05	3161	58.68	1967	36.51	259	4.81	5387

Source : Consolidated RBI Reports on Trend and Progress of Banking in India from 1995 to 2005.

Table 7 reveals the expenditure pattern of RRBs in India which had shown an increasing trend during the years of the study period. Interest was the major expenditure of RRBs in India. The share of interest paid to total expenditure had shown a fluctuating trend, ranging between 49.67 per cent and 69.64 per cent during the years under study. The other operating expenditures accounted for one-third of total expenditures, which ranged between 26.85 per cent and 36.51 per cent of total expenditure. The share of provisions and contingencies to total expenditure registered around 2 per cent to 5 per cent over the years except the first year of the study. In the first year, it was 23.48 per cent. Table 8 shows the expenditure pattern of RRBs in Tamil Nadu.

Table 8 : Components of Expenditure of RRBs in Tamil Nadu (Rs. In Thousands)

Year	Interest Paid	Percentage to Total	Other Operating Expenses	Percentage to Total	Provisions & Contingencies	Percentage to Total	Total
1996-97	219269	56.97	138414	35.96	27200	7.07	384883
1997-98	244405	65.45	123003	32.94	6003	1.61	373411
1998-99	295843	65.98	144196	32.16	8313	1.85	448352
1999-00	369636	69.24	162183	30.38	2045	0.38	533864
2000-01	437353	68.57	191132	29.97	9293	1.46	637778
2001-02	509689	68.46	217427	29.20	17378	2.33	744494
2002-03	534583	66.29	259679	32.20	12179	1.51	806441
2003-04	534854	56.10	280004	29.37	138460	14.52	953318
2004-05	510182	57.76	304736	34.50	68290	7.73	883208

Source : Consolidated Annual Reports of RRBs in Tamil Nadu from 1997 to 2005.

Table 8 shows the breakup of total expenditure of RRBs in Tamil Nadu. It was found that the interest paid had registered a major channel of expenditure, which stood at 56.97 per cent in 1996-97 and 57.76 per cent in 2004-05 showing a fluctuating trend. The other operating expenditure constituted a significant share in total expenditure, which had ranged between 29.37 per cent and 35.96 per cent during the study period. In case of provision and contingencies, its share to total was 7.07 per cent in 1996-97 and 7.73 per cent in 2004-05. The highest share was 14.52 per cent in 2003-04 and the lowest was 0.38 per cent in 1999-00. The trend of total expenditure showed an upward trend during the study period.

COMPOSITION OF DEPOSITS OF AGB

The deposits mobilized by AGB may be classified as current, savings and term deposits. The share of each category of deposits to total deposits is given in Table 9.

Table 9: Composition Of Deposits Of AGB (Rs. In Lakhs)

Year	Current Deposits	Percentage to Total	Savings Deposits	Percentage to Total	Term Deposits	Percentage to Total	Total
1996-97	58.45	2.71	890.03	41.25	1209.19	56.04	2157.67
1997-98	58.41	2.00	1434.97	49.14	1426.72	48.86	2920.10
1998-99	74.07	2.40	1339.74	43.42	1671.96	54.18	3085.77
1999-00	60.12	1.50	1622.68	40.38	2335.71	58.12	4018.51
2000-01	51.78	1.01	1890.73	36.76	3201.59	62.24	5144.10
2001-02	47.39	0.76	2410.22	38.51	3801.82	60.74	6259.43
2002-03	82.36	1.07	3011.75	39.24	4581.98	59.69	7676.09
2003-04	99.35	1.06	3993.39	42.66	5269.11	56.28	9361.85
2004-05	83.50	0.77	5111.62	46.97	5688.22	52.27	10883.34

Source: Consolidated Annual Reports of AGB from 1997 to 2005.

Table 9 summarizes the composition of deposits of AGB during the period 1997-2005. It is found that the total deposits comprise current, savings and term deposits which together increased in absolute terms from Rs. 2157.67 lakhs in 1996-97 to Rs. 10883.34 in 2004-05. But the current deposits of AGB in the total deposits declined from 2.71 per cent in 1996-97 to 0.77 per cent in 2004-05. The share of savings deposits in the total deposits increased from 41.25 per cent in 1996-97 to 46.97 per cent in 2004-05. In the case of term deposits, the share in total deposits increased from 56.04 per cent in 1996-97 to 62.24 per cent in 2000-01, but decreased to 52.27 per cent in 2004-05. Undoubtedly, the total deposits of AGB had increased over the years.

COMPOSITION OF ADVANCES OF AGB

The activity-wise classification of loans and advances of AGB is given in the following Table 10.

Table 10: Activity-wise Classification of Advances of AGB (Rs. In Lakhs)

Year	Agriculture	Percentage to Total	Industry	Percentage to Total	Service	Percentage to Total	Others	Percentage to Total	Total
1996-97	NA	--	NA	--	NA	--	NA	--	2177.39
1997-98	1483.92	59.02	17.87	0.71	100.18	3.98	912.35	36.29	2514.32
1998-99	1662.08	67.26	24.62	1.00	126.44	5.12	657.91	26.62	2471.05
1999-00	1914.74	62.63	33.49	1.10	221.88	7.26	887.28	29.02	3057.39
2000-01	2112.70	60.33	31.94	0.91	264.13	7.54	1093.38	31.22	3502.15
2001-02	2542.78	59.63	29.35	0.69	459.64	10.78	1232.78	28.91	4264.55
2002-03	2191.97	41.11	51.87	0.97	1891.34	35.47	1197.27	22.45	5332.45
2003-04	2187.04	31.76	40.31	0.59	3349.83	48.65	1308.89	19.01	6886.07
2004-05	5046.44	53.70	30.95	0.33	3192.54	33.97	1127.96	12.00	9397.89

Source: Consolidated Annual Reports of AGB from 1997 to 2005.

Table 10 shows that the total loans and advances of AGB comprise of loans and advances for agriculture, for industry, for service and others, which together increased sharply to 9397.89 lakhs in 2004-05 from Rs. 2177.39 lakhs in 1996-97. The loans and advances for agricultural sector as percentage in total loans and advances increased from 59.02 per cent in 1997-98 to 60.33 per cent in 2000-01, then it declined to 31.76 per cent in 2003-04, but increased again to 53.70 per cent in 2004-05. The share of loans and advances for industry in total loans and advances decreased from 0.71 per cent in 1997-98 to 0.33 per cent in 2004-05. The share of loans and advances for service sector increased sharply from 3.98 per cent in 1997-98 to 33.97 per cent in 2004-05, registering nearly a ten-fold increase during the period under study. But the share of loans and advances for others declined from 36.29 per cent to 12 per cent over the period. Even though there was an increasing or decreasing trend in the components of loans and advances, the total loans and advances had shown mostly an increasing trend during the study period.

COMPOSITION OF DEPOSITS OF PGB

The classification of deposits of PGB is shown in Table 11. Table 11 shows the composition of deposits of PGB. It is found from the table that the total deposits of PGB in terms of absolute figures sharply increased from Rs. 16766.22 lakhs in 1996-97 to Rs. 67755.86 lakhs in 2004-05, which is a four-fold increase during the period of study. The share of term deposits registered more than 60 per cent in all the years under study. But it decreased from 68.38 per cent in 1996-97 to 62.77 per cent in 2004-05. So, the share of current deposits declined from 2.54 per cent to 1.34 per cent. In the case of savings deposits, the share increased from 29.08 per cent in 1996-97 to 35.90 per cent in 2004-05.

COMPOSITION OF ADVANCES OF PGB

The loans and advances of PGB may be classified into loans and advances for agriculture, industry, service and other sectors. Table 12 presents details of the components of total loans and advances of PGB. From Table 12, it is seen that the share of loans and advances for agricultural sector and service sector in total loans and advances increased from 43.36 per cent and 15.75 per cent to 49.33 per cent and 32.86 per cent respectively over the years. But the share of loans and advances for industry and other sector declined from 11.66 per cent and 29.33 per cent in 1997-98 to 1.04 per cent

and 16.77 per cent in 2004-05, respectively. The total loans and advances of PGB showed an increasing trend ranging between Rs. 13877.60 lakhs and Rs. 66346.43 lakhs during the period under study.

Table 11: Composition of Deposits of PGB (Rs. In Lakhs)

Year	Current Deposits	Percentage to Total	Savings Deposits	Percentage to Total	Term Deposits	Percentage to Total	Total Deposits
1996-97	425.91	2.54	4875.17	29.08	11465.34	68.38	16766.42
1997-98	424.20	1.92	8109.34	36.74	13596.66	61.60	22073.20
1998-99	496.11	1.82	9118.62	33.52	17585.56	64.65	27200.29
1999-00	532.55	1.52	10472.70	29.91	24004.32	68.57	35009.57
2000-01	579.13	1.39	11243.45	26.93	29922.27	71.68	41744.85
2001-02	665.69	1.35	13996.62	28.35	34710.85	70.30	49373.16
2002-03	695.79	1.22	17023.45	29.96	39109.72	68.82	56828.96
2003-04	882.23	1.39	21202.61	33.29	41609.19	65.33	63694.03
2004-05	904.95	1.34	24321.22	35.90	42529.69	62.77	67755.86

Source: Consolidated Annual Reports of PGB from 1997 to 2005.

Table 12 : Composition of Loans and Advances of PGB (Rs. In lakhs)

Year	Agriculture	Percentage to Total	Industry	Percentage to Total	Service	Percentage to Total	Others	Percentage to Total	Total
1996-97	NA		NA		NA		NA		13877.60
1997-98	6600.59	43.36	1774.53	11.66	2397.87	15.75	4449.22	29.23	15222.21
1998-99	8013.30	48.10	1894.57	11.37	2679.34	16.08	4071.35	24.44	16658.56
1999-00	8173.63	41.14	1891.89	9.52	3138.02	15.79	6664.87	33.55	19868.41
2000-01	9546.80	36.59	2196.32	8.42	4823.26	18.48	9528.24	36.51	26094.62
2001-02	12191.88	35.88	4841.28	14.25	5006.32	14.73	11939.80	35.14	33979.28
2002-03	13771.10	31.76	6661.74	15.36	9321.24	21.50	13606.16	31.38	43360.24
2003-04	19771.26	36.19	7793.98	14.27	14516.80	26.57	12549.94	22.97	54631.98
2004-05	32729.41	49.33	691.46	1.04	21801.33	32.86	11124.23	16.77	66346.43

Source: Consolidated Annual Reports of PGB from 1997 to 2005.

COMPOSITION OF DEPOSITS OF VGB

The total deposits of VGB comprise of current, savings and term deposits.

Table 13 : Composition of Deposits of VGB (Rs. In Lakhs)

Year	Current Deposits	Percentage to Total	Savings Deposits	Percentage to Total	Term Deposits	Percentage to Total	Total Deposits
1996-97	112.25	5.24	811.33	37.88	1218.26	56.88	2141.84
1997-98	118.33	4.22	1438.25	51.35	1244.23	44.42	2800.81
1998-99	111.03	4.52	1106.66	45.07	1237.54	50.40	2455.23
1999-00	112.47	3.77	1336.52	44.77	1536.29	51.46	2985.28
2000-01	113.58	2.83	1914.86	47.71	1984.90	49.46	4013.34
2001-02	185.69	3.94	2288.88	48.57	2237.87	47.49	4712.44
2002-03	108.21	2.13	2334.12	45.98	2634.21	51.89	5076.54
2003-04	291.85	5.07	2450.06	42.59	3011.08	52.34	5752.99
2004-05	119.43	1.81	3085.23	46.86	3378.86	51.32	6583.52

Source: Consolidated Annual Reports of VGB from 1997 to 2005.

Table 13 shows that the total deposits of VGB comprises of current, savings and term deposits, which together increased in absolute terms from Rs. 2141.84 lakhs in 1996-97 to Rs. 6583.52 lakhs in 2004-05. The percentage of current deposits in total deposits declined from 5.24 per cent in 1996-97 to 1.81 per cent in 2004-05. But the share of savings deposits in total deposits increased from 37.88 per cent in 1996-97 to 46.86 per cent in 2004-05. Against this, the share of term deposits decreased from 56.88 per cent in 1996-97 to 51.32 per cent in 2004-05.

COMPOSITION OF ADVANCES OF VGB

The composition of loans and advances of VGB is presented in Table 14.

Table 14 : Composition of Loans and Advances of VGB (Rs. In lakhs)

Year	Agriculture	Percentage to Total	Industry	Percentage to Total	Service	Percentage to Total	Others	Percentage to Total	Total
1996-97	NA		NA		NA		NA		2295.04
1997-98	1526.94	63.06	31.55	1.30	286.39	11.83	576.57	23.81	2421.45
1998-99	1364.65	66.78	30.59	1.50	282.57	13.83	365.76	17.90	2043.57
1999-00	1410.37	67.06	29.05	1.38	322.13	15.32	341.64	16.24	2103.19
2000-01	1757.75	63.36	40.17	1.45	484.79	17.47	491.66	17.72	2774.37
2001-02	2217.36	64.93	52.78	1.55	600.77	17.59	544.09	15.93	3415.00
2002-03	2763.43	65.31	63.81	1.51	929.03	21.96	474.96	11.23	4231.23
2003-04	3495.58	66.03	90.96	1.72	1124.78	21.25	582.26	11.00	5293.58
2004-05	5092.22	72.45	98.71	1.40	1208.92	17.20	629.21	8.95	7029.06

Source: Consolidated Annual Reports of VGB from 1997 to 2005.

Table 14 indicates that the share of loans and advances to agricultural sector registered an increasing trend during the study period. It stood at 63.06 per cent in 1996-97, which increased to 72.45 per cent in 2004-05. But in the case of loans and advances for industry, the share in total registered around 1.5 per cent during the study period. The share of loans and advances to the service sector increased from 11.83 per cent to 17.20 per cent during the period under study. The loans and advances to other sectors occupied a significant position in total loans and advances, which stood at 23.81 per cent in 1996-97 and decreased to 8.95 per cent in 2004-05. But the total loans and advances showed an increasing trend during the study period.

TREND ANALYSIS

The deposits and advances have been analyzed by trend values and predicted for the year 2010. For computing the straight-line trend of deposits and advances of RRBs in Tamil Nadu, the data in the previous tables have been used.

The trend values of total deposits and advances have been estimated by using a linear trend equation as given below:

$$Y_t = a + bx$$

Where

Y = Deposits/Advances in lakhs of rupees.

X = Time Variable

'a' and 'b' are parameters to be estimated.

Y_t = Computed trend figure for period X.

The above trend equation has been estimated by the method of least squares. The values of 'a' and 'b' are determined by solving the following two normal equations.

$$\Sigma y = Na + b\Sigma x \text{ ----- (1)}$$

$$\Sigma xy = a\Sigma x + b\Sigma x^2 \text{ ----- (2)}$$

Where N = number of years for which data are given that is nine years.

In appendices I to IX, $x = 0$ in March 31, 2001. The 'y' values for the years before March 31, 2001 and after March 2001 are respectively -1, -2, -3, -4 and +1, +2, +3, +4. With the help of the above linear trend equation, the trend values for total deposits, total advances and priority sector advances are computed.

TREND VALUES FOR TOTAL DEPOSITS, TOTAL ADVANCES AND PRIORITY SECTOR ADVANCES

The trend values for total deposits, total advances and priority sector advances of AGB, PGB and VGB for the year 2010 are given in Table 15.

Table 15 : Trend Values of Total Deposits, Total Advances and Priority Sector Advances of AGB, PGB and VGB (Rs. In Lakhs)

Sl. No	Item	AGB	PGB	VGB
1.	Total Deposits	15570.42	102637.97	9096.92
2.	Total Advances	11739.44	91569.44	8497.78
3.	Priority Sector Advances	10272.28	72334.72	7945.28

It is inferred from Table 15 that the total deposits, total advances and priority sector advances of AGB for the year 2010 would be Rs. 15570.42 lakhs, Rs. 11739.44 lakhs and Rs. 10272.28 lakhs respectively. It is also clear that the total deposits, total advances and priority sector advances of PGB would be Rs. 102637.97 lakhs, Rs. 91569.44 lakhs and Rs. 72334.72 lakhs respectively. In the case of VGB concerned, the same would be Rs. 9096.92 lakhs, Rs. 8497.78 lakhs and Rs. 7945.28 lakhs respectively.

COMPONENTS OF INCOME OF AGB

The total Income of AGB consists of interest income and other incomes.

Table 16 : Classification of Income of AGB (Rs. In Lakhs)

Year	Interest Income	Percentage to Total	Other Income	Percentage to Total	Total Income
1996-97	417.88	94.24	25.56	5.76	443.44
1997-98	480.79	92.49	39.03	7.51	519.82
1998-99	576.64	90.74	58.85	9.26	635.49
1999-00	621.33	95.79	27.33	4.21	648.66
2000-01	758.26	94.61	43.18	5.39	801.44
2001-02	903.22	95.07	46.80	4.93	950.02
2002-03	1067.43	95.38	51.73	4.62	1119.16
2003-04	1184.51	95.01	62.16	4.99	1246.67
2004-05	1224.25	94.96	64.94	5.04	1289.19

Source: Compiled Annual Reports of AGB from 1997 to 2005.

From Table 16, it is found that the total income of AGB has shown an increasing trend. It stood at Rs. 443.33 lakhs in 1996-97 and increased to Rs. 1289.19 in 2004-05. The percentage of interest income in total income has recorded more than 90 per cent over the period under study, which had ranged between 90.74 per cent in 1998-99 and 95.79 per cent in 1999-2000. But the share of other incomes in total income had constituted only around 5 per cent, which has ranged between 4.21 per cent and 9.26 per cent during the period under study.

COMPONENTS OF EXPENDITURE OF AGB

Table 17 reveals the various components of expenditure of AGB. It is seen from Table 17 that the total expenditure of AGB grouped under interest paid, operating expenses and provisions and contingencies, which together in absolute terms increased from Rs. 465.93 lakhs in 1996-97 to Rs. 1010.57 lakhs in 2004-05. The share of interest paid in total expenditure was 55.62 per cent in 1996-97 which had increased to 58.04 per cent in 2004-05.

COMPONENTS OF INCOME OF PGB

Table 18 presents the components of income of PGB in Tamil Nadu during the period under consideration.

Table 17 : Components of Expenditure of AGB (Rs. In Lakhs)

Year	Interest Paid	Percentage to Total	Other Operating Expenses	Percentage to Total	Provisions & Contingencies	Percentage to Total	Total
1996-97	259.16	55.62	114.66	24.61	92.11	19.77	465.93
1997-98	241.87	62.61	130.46	33.77	13.97	3.62	386.30
1998-99	280.79	61.78	147.32	32.41	26.38	5.80	454.49
1999-00	325.22	67.84	141.50	29.52	12.69	2.65	479.41
2000-01	407.59	66.31	175.02	28.47	32.08	5.22	614.69
2001-02	488.27	70.11	190.85	27.40	17.29	2.48	696.41
2002-03	557.07	67.27	239.77	28.95	31.25	3.77	828.09
2003-04	630.61	66.66	245.58	25.96	69.87	7.39	946.06
2004-05	586.50	58.04	286.06	28.31	138.01	13.66	1010.57

Source: Compiled Annual Reports of AGB from 1997 to 2005.

Table 18 : Components of Income of PGB (Rs. In Lakhs)

Year	Interest	Percentage to Total	Others	Percentage to Total	Total
1996-97	2315.14	94.22	142.14	5.78	2457.28
1997-98	2979.77	93.41	210.37	6.59	3190.14
1998-99	3885.97	94.96	206.23	5.04	4092.20
1999-00	4640.51	94.08	291.81	5.92	4932.32
2000-01	5511.05	94.41	326.52	5.59	5837.57
2001-02	6621.81	94.52	383.64	5.48	7005.45
2002-03	7511.22	94.74	417.44	5.26	7928.66
2003-04	7442.74	88.26	990.33	11.74	8433.07
2004-05	7574.82	92.56	608.86	7.44	8183.68

Source: Compiled Annual Reports of PGB from 1997 to 2005.

Table 18 shows that the total income of PGB had registered an increasing trend, from Rs. 2457.28 lakhs in 1996-97 to Rs. 8183.68 lakhs in 2004-05. The share of interest income in total income had decreased from 94.22 per cent in 1996-97 to 92.56 per cent in 2004-05. It had ranged between 88.26 per cent and 94.74 per cent over the study period. In the case of other incomes, its shares in total constitute only around 5 per cent, except 11.74 per cent in 2003-04.

COMPONENTS OF EXPENDITURE OF PGB

The total expenditure of PGB consists of interest, other operating expenses and provisions and contingencies. From Table 19, it can be seen that expenditure comprises of interest paid, other operating expenditure and provisions and contingencies, which together increased from Rs. 3005.59 lakhs in 1996-97 to Rs. 7175.68 lakhs in 2004-05. The share of interest paid in total expenditure ranged between 54.71 per cent in 2003-04 and 69.92 per cent in 1999-2000 and the share of operating expenditure in total expenditure stood at 39.19 per cent in 1996-97 and 34.83 per cent in 2004-05. But the provisions and contingencies constitute a minor portion in total expenditure. Its share has ranged between 0 per cent and 16.15 per cent during the study period.

COMPONENTS OF INCOME OF VGB

The income of VGP is classified as interest income and other incomes. The share of each component in total income is presented in Table 20. Table 20 shows that the total income of VGB stood at Rs. 515.31 lakhs in 1996-97, which increased to Rs. 878.03 lakhs in 2004-05. The share of interest income had been more than 92 per cent in all the years of the study. It stood at 92.99 per cent in 1996-97 and 95.71 per cent in 2004-05. In case of other incomes, the share was

7.01 per cent in 1996-97 and 4.29 per cent in 2004-05. The trend of interest income and other incomes had minor fluctuations.

Table 19 : Components of Expenditure of PGB (Rs. In Lakhs)

Year	Interest Paid	Percentage to Total	Other Operating Expenses	Percentage to Total	Provisions and Contingencies	Percentage to Total	Total
1996-97	1687.24	56.14	1177.80	39.19	140.55	4.68	3005.59
1997-98	1966.75	66.13	994.73	33.45	12.59	0.42	2974.07
1998-99	2449.96	66.81	1176.42	32.08	40.80	1.11	3667.18
1999-00	3139.46	69.92	1350.55	30.08	0	0.00	4490.01
2000-01	3701.87	69.56	1587.24	29.83	32.72	0.61	5321.83
2001-02	4265.81	68.92	1792.56	28.96	131.17	2.12	6189.54
2002-03	4349.72	66.37	2135.30	32.58	68.64	1.05	6553.66
2003-04	4350.29	54.71	2316.68	29.14	1284.10	16.15	7951.07
2004-05	4161.76	58.00	2499.03	34.83	514.89	7.18	7175.68

Source: Compiled Annual Reports of PGB from 1997 to 2005.

Table 20 : Components of Income of VGB (Rs. In Lakhs)

Year	Interest	Percentage to Total	Others	Percentage to Total	Total
1996-97	479.18	92.99	36.13	7.01	515.31
1997-98	577.01	96.31	22.11	3.69	599.12
1998-99	562.35	95.37	27.28	4.63	589.63
1999-00	541.68	94.78	29.83	5.22	571.51
2000-01	623.44	94.95	33.17	5.05	656.61
2001-02	708.67	96.28	27.39	3.72	736.06
2002-03	811.15	95.42	38.97	4.58	850.12
2003-04	775.77	94.83	42.29	5.17	818.06
2004-05	840.39	95.71	37.64	4.29	878.03

Source: Compiled Annual Reports of VGB from 1997 to 2005.

COMPONENTS OF EXPENDITURE OF VGB

The components of expenditure of VGB and their share in total expenditure are shown in Table 21.

Table 21: Components of Expenditure of VGB (Rs. In Lakhs)

Year	Interest Paid	Percentage to Total	Other Operating Expenses	Percentage to Total	Provisions and Contingencies	Percentage to Total	Total
1996-97	246.29	65.28	91.68	24.30	39.34	10.43	377.31
1997-98	235.43	62.99	104.84	28.05	33.47	8.96	373.74
1998-99	227.68	62.92	118.22	32.67	15.95	4.41	361.85
1999-00	231.68	62.75	129.78	35.15	7.76	2.10	369.22
2000-01	264.07	59.84	149.06	33.78	28.13	6.37	441.26
2001-02	342.81	61.33	190.86	34.14	25.32	4.53	558.99
2002-03	439.04	64.31	221.72	32.48	21.90	3.21	682.66
2003-04	367.64	57.80	237.78	37.38	30.63	4.82	636.05
2004-05	353.56	54.75	262.27	40.61	30.00	4.65	645.83

Source: Compiled Annual Reports of VGB from 1997 to 2005.

It could be understood from Table 21 that the interest paid is a major component of total expenditure, which stood at 65.28 per cent in total expenditure in 1996-97. It decreased over the years and reached 54.75 per cent in 2004-05. But the share of other operating expenditure in total expenditure increased from 24.30 per cent in 1996-97 to 40.61 per cent in 2004-05. This may be due to other services provided to the customers. The share of provisions and contingencies in total expenditure was minimum (2.10%) in 1999-2000 and maximum (10.43%) in 1996-97.

NET PROFIT OF AGB, PGB AND VGB

Net profit of VGB and its growth rates over the study period are shown in Table 22.

Table 22 : Growth of Net Profit of VGB

Year	AGB	PGB	VGB
1996-97	-22.49	-548.31	138.00
1997-98	133.52 (-693.69)	216.07 (-139.41)	225.38 (63.32)
1998-99	181.00 (35.56)	425.02 (96.70)	227.78 (1.06)
1999-00	169.05 (-6.60)	442.31 (4.07)	202.29 (-11.19)
2000-01	186.75 (10.47)	515.74 (16.60)	215.35 (6.46)
2001-02	253.61 (35.80)	815.91 (58.20)	177.16 (-17.73)
2002-03	291.07 (14.77)	1375.00 (68.52)	167.47 (-5.47)
2003-04	300.61 (3.28)	482.00 (-64.95)	182.01 (8.68)
2004-05	278.62 (-7.32)	1008.00 (109.13)	232.20 (27.58)
CGAR	-	-	1.16 %

Source: Compiled Annual Reports of VGB from 1997 to 2005.

It is found from Table 22 that the net profit of AGB steadily increased from Rs. 22.49 lakhs in 1996-97 to Rs. 278.62 lakhs in 2004-05, which was more than a ten-fold increase. In case of PGB, the net profit stood at Rs. -548.31 lakhs in 1996-97 and increased to Rs. 1008.00 lakhs in 2004-05, registering an increasing trend except in the year 2003-04. The growth rates of net profit of PGB had shown a fluctuating trend ranging between -139.41 per cent in 1997-98 and 109.13 per cent in 2004-05 over the years. Table 22 also indicates that the net profit of VGB in absolute terms increased to Rs. 232.20 lakhs in 2004-05 from Rs. 138.00 lakhs in 1996-97, registering nearly a two-fold increase over the period. The growth rates regarding the net profit showed a fluctuating trend ranging between -17.73 per cent in 2001-02 and 63.32 per cent in 1997-98.

COMPARISON OF GROWTH OF DEPOSITS AND ADVANCES OF RRBs AT THE NATIONAL LEVEL AND AT THE STATE LEVEL: MANN-WHITNEY U-TEST

Mann-Whitney U-Test is a non-parametric method in statistical work. This test makes it possible to work with very small samples. It requires less restrictive assumptions concerning the level of data measurement. It is used to determine whether there is a significant difference between the two independent samples, and one from each population is used.

The first step in the Mann-Whitney U-Test is to rank the combined data from low to high (combined rankings for the growth rates of amount of RRBs in India and RRBs in Tamil Nadu). The next step is to sum up the ranks of either sample. In this study, the sum of the ranks of the growth rates of RRBs in India is used and it is denoted as S_1 . The Mann-Whitney U-Test statistic is given below

$$U = n_1 n_2 + \frac{n_1(n_1+1)}{2} - S_1$$

n_1 = Number of samples from first population

n_2 = Number of samples from second population

S_1 = Sum of ranks of samples from first population

For the values of n_1 and n_2 , Mann-Whitney U-Test table values provide the probability associated with the calculated values of U. If the tabulated probability is greater than the values of significant level (if the significant level is 5%, the value is 0.05), the null hypothesis is accepted. If the probability is less than the significant level, the null hypothesis is rejected.

If the probability for the calculated value of U is not provided in the table, the value of U' for the other group can be calculated as follows:

$$U' = n_1 n_2 - U$$

The value of U' will be the same if 'U' is calculated by using the sum of the ranks of sample of second population as follows:

$$U = n_1 n_2 + \frac{n_2(n_2+1)}{2} - S_2$$

n_1 = Number of samples from first population

n_2 = Number of samples from second population

S_2 = Sum of ranks of samples from second population

For the purpose of this study, the following null hypotheses are formed:

✱ There is no significant difference between the total deposits of RRBs in India and total deposits of RRBs in Tamil Nadu during the period under study.

✱ There is no significant difference between the advances to priority sector by RRBs in India and advances to priority sector by RRBs in Tamil Nadu during the period under study.

✱ There is no significant difference between the total advances of RRBs in India and total advances of RRBs in Tamil Nadu during the period under study.

Table 23 : Result : Mann Whitney U Test

S.No.	Particulars	Calculated Value	Table Value	Result
1	Deposits of RRBs in India and in Tamilnadu	0.480	0.05	Not Significant
2	Priority Sector Advances of RRBs in India and in Tamilnadu	0.032	0.05	Significant
3	Advances of RRBs in India and in Tamilnadu	0.221	0.05	Not Significant

From the Table 23, it is seen that there is no significant difference in the growth rates of total deposits, total advances of RRBs in India and RRBs in Tamil Nadu. There is a significant difference in the growth rates of advances to priority sector by RRBs in India and RRBs in Tamil Nadu. This is due to the better performance of RRBs in Tamil Nadu.

COMPARISON OF GROWTH OF DEPOSITS AND ADVANCES OF RRBs OPERATING IN TAMILNADU: KRUSKAL-WALLIS TEST

The Kruskal-Wallis Test is a non-parametric test. Non-parametric tests are distribution free, since these tests do not depend on the shape of the distribution. Non-parametric tests are applicable to all types of data: qualitative (nominal scale) data in rank form (ordinal scale) as well as data that have been measured more precisely (interval or ratio scale). Many non-parametric methods make it possible to work with very small samples. Non-parametric tests require less restrictive assumptions concerning the level of data measurement.

Kruskal-Wallis Test can be used with ordinal data as well as with interval or ratio data. This test does not require the assumptions of normality and equal variances. The Kruskal-Wallis Test statistic, which is based on the sum of ranks for each of the samples, can be computed as follows

$$W = \frac{12}{n_T(n_T+1)} \sum_{i=1}^k \frac{R_i^2}{n_i} - 3(n_T+1)$$

Where k = Number of population groups

n_i = Number of items in sample i

n_T = Total number of items in all samples
 R_i = Sum of the ranks for sample I

The Kruskal-Wallis Test is used when $k \geq 3$

In order to compute the 'W' value for this study, ranks are assigned to combined data from low to high. The lowest value receives the rank of 1, whereas the highest value receives the rank of 28. Tied growth rates are assigned average rank values.

Kruskal and Wallis were able to show that under the null hypothesis, the populations are identical, the sampling distribution of 'w' can be approximated by a χ^2 (chi-square) distribution with k-1 degrees of freedom. This approximation is generally acceptable if each of the sample sizes is greater or equal to 5.

The calculated value of 'W' is compared with the table value of chi-square (χ^2), at 5 per cent level of significance. If the calculated value of 'W' is less than or equal to the table value of chi-square (χ^2), at 5 per cent level of significance, the performance of RRBs operating in Tamil Nadu is considered statistically the same. In other words, there is no significant difference in the performance of RRBs in Tamil Nadu. In case the calculated value exceeds the table value, the difference will be termed as significant. If it is found to be significant at 5 per cent level, it is further checked at 1 per cent level of significance.

For the purpose of this study the following null hypotheses were framed:

✿ There is no significant difference in total deposits, total advances and priority sector advances of RRBs operating in Tamil Nadu during the period under study.

✿ There is no significant difference in income, expenses and net profit of RRBs operating in Tamil Nadu during the period under study.

Table 24 : Result : Kruskal- Wallis Test

S. No.	Particulars	Calculated Value	Table Value *	Result
1	Deposits of RRBs operating in Tamilnadu	2.435	5.99	Not Significant
2	Priority Sector Advances of RRBs in Tamilnadu	2.165	5.99	Not Significant
3	Advances of RRBs operating in Tamilnadu	0.155	5.99	Not Significant
4	Total Income of RRBs operating in Tamilnadu	5.040	5.99	Not Significant
5	Total Expenses of RRBs operating in Tamilnadu	0.515	5.99	Not Significant
6	Net Profit of RRBs operating in Tamilnadu	2.785	5.99	Not Significant

* at 5 per cent Level of Significant

There is no significant difference of growth rates of deposits, advances, priority sector advances, incomes, expenses and net profit of RRBs operating in Tamil Nadu. It indicates that the RRBs operating in Tamil Nadu are working in the same manner.

COMPARISON OF GROWTH OF INCOME AND EXPENDITURE OF RRBs AT THE NATIONAL LEVEL AND STATE LEVEL: MANN-WHITNEY WILCOXON TEST

To compare the various components of income and expenditure of RRBs at the National level with the RRBs at State level, Mann-Whitney-Wilcoxon Non-Parametric Test has been used.

MANN-WHITNEY WILCOXON TEST

MWW test is a non-parametric method in statistical work. This test was developed jointly by Mann, Whitney and Wilcoxon. Thus, we refer to it as Mann-Whitney-Wilcoxon (MWW) test. Non-parametric tests do not depend on the shape of the distribution and are applicable to all types of data: Qualitative (nominal scaling), data in rank form (ordinary scaling) as well as data measurement. The major advantages of MWW test, compared to the parametric t-test, are that it does not require any assumptions about the form of the probability distribution from which the

measurements come and the test may be used with ordinal data. MWW test can be used to determine whether there is a significant difference between two populations. Two independent samples, one from each population, are used. MWW test is used to find out whether the two populations are identical or whether there is any significant difference between the two populations. MWW test is appropriate whenever the sample size is less than or equal to 10 (small sample case).

This research seeks to compare the growth rates of incomes, expenditure and profits of RRBs in Tamil Nadu State to what is achieved at the National level, using MWW test.

MWW TEST PROCEDURE

The first step in the MWW procedure is to rank the combined growth rates from two samples from low to high. The lowest value receives the rank of one and the highest value, the highest rank. Tied percentages, if any, should be assigned average rank in the values.

The next step is to sum up the ranks of each sample separately. The MWW procedure utilizes the sum of the ranks for either sample. In this study, sum of the ranks of the growth rates of income, expenditure and profits of RRBs at the State level is used. The sum of the ranks of the growth rates of income/expenditure/profits at the State level is denoted as T.

Critical values of MWW-T statistic (Table values) are provided and are given in standard textbooks of statistics. The Table value of T is denoted as T_L which can be read directly from the Table.

The value of T_U is computed by using the following formula:

$$T_U = n_1(n_1 + n_2 + 1) - T_L$$

Both the values of T_L and the value of T_U set the acceptance region for null hypothesis. The null hypothesis of identical population if there is no significant difference between the populations should not be rejected, if T is strictly greater than T_L or strictly less than T_U . The null hypothesis should be rejected if T is less than T_L or greater than T_U .

HYPOTHESES

For the purpose of this comparison, the following null hypotheses were formed.

✿ There is no significant difference between the growth rates of total Income of RRBs in India and the growth rates of total income of RRBs in Tamil Nadu during the period under study.

✿ There is no significant difference between the growth rates of total expenses of RRBs in India and the growth rates of total expenses of RRBs in Tamil Nadu during the period under study.

✿ There is no significant difference between the growth rates of net profit of RRBs in India and the growth rates of net profit of RRBs in Tamil Nadu during the period under study.

Table 25 : Result : Mann-Whitney- Wilcoxon Test

S.No.	Particulars	T	T_U	T_L^*	Result
1	Total income of RRBs in India and in Tamil Nadu	68	82	48	Not Significant
2	Total expenses of RRBs in India and in Tamil Nadu	74	82	48	Not Significant
3	Profit of RRBs in India and in Tamil Nadu	64	82	48	Not Significant

* at 5 per cent Level of Significant

It is inferred from this analysis, that there is no significant difference in the growth rates of income, expenditure and profits of RRBs in India and RRBs in Tamil Nadu.

SUMMARY OF FINDINGS

For the year 2010, the trend value of total deposit of AGB would be Rs. 15570.42 lakhs, the advances would be Rs. 11739.44 lakhs and the priority sector advances would be Rs. 10272.28 lakhs. The total deposits, total advances and

priority sector advances of PGB for the year 2010 would be Rs. 102637.27 lakhs, 91569.44 lakhs and Rs. 72334.72 lakhs respectively. In the case of VGB, these figures would be Rs. 9096.92 lakhs, 8497.78 lakhs and 7945.28 lakhs respectively. The compound growth rates of total income of AGB, PGB and VGB were 15.04 per cent, 16.97 per cent and 6.98 per cent respectively over the nine year study period. The growth rates of net profit of AGB, PGB and VGB were -7.32 per cent, 109.13 per cent and 27.58 per cent respectively in 2004-05.

There was no significant difference in the growth rates of total deposits, term deposits, demand deposits, total advances, advances to agriculture, advances to industries and advances to non-priority sector of RRBs in India and RRBs in Tamil Nadu. There was a significant difference in the growth rates of advances to service sector and advances to priority sector by RRBs in India and RRBs in Tamil Nadu. This was due to the better performance of RRBs in Tamil Nadu. There was no significant difference of growth rates of deposits and advances of RRBs operating in Tamil Nadu. It indicates that the RRBs operating in Tamil Nadu were working in the same manner.

There was no significant difference in the growth rates between the income, expenditure and profits of RRBs in India and RRBs in Tamil Nadu. Also, there was no significant difference in the growth rates of income, expenditure and profits of RRBs operating in Tamil Nadu.

SUGGESTIONS

The following suggestions are made to improve the performance of RRBs in India in general and RRBs in Tamil Nadu in particular. Modern technologies like ATM, Core Banking, Anywhere Banking and so on should be introduced to improve the quality of services in all spheres of banking activities. The bank should take necessary steps to increase the non-interest income, which only constitutes less than 10 per cent of the total income, by way of collection of cheques and bills, giving guarantees, locker facilities, acting as agent and so on.

With regards to deposits, the current deposits carry zero rate of interest. Therefore, the banks have to concentrate on mobilizing current deposits. To maintain a steady growth rate of deposits, it is recommended that the banks should come forward to offer some subsidiary services like marketing assistance, technological assistance, and insurance facilities, export facilities and so on, to the customers. RRBs should open branches in urban and semi urban places in order to mobilize vast amount of deposits for providing loans to the people in rural areas.

The share capital of the banks must be increased in order to make themselves competitive. It is suggested that the local leaders should not be permitted to act as intermediaries for the identification of applicants or to pressurize the bank officials for sanctioning loans. They may be allowed to guide the people but in no way they should be allowed to force the bank officials to permit loans to unworthy applicants.

In order to get the desired results of bank credit, there should be complementary support from the State Government, which is lacking in many respects. The State Government compels the bank to finance, but does not give the necessary support like creating an infrastructure facility, particularly for marketing and recovery. This has been pointed out by many committees appointed earlier by the RBI, but very little action has been taken so far.

There is a need for proper planning with specific objectives after considering the potential and peculiar characteristics of people in the area of operation. RRBs should make it a policy to exploit the potential available for deposits.

RRBs may appoint recovery agents for recovery of loans on the lines of agents for GIC, LIC, NSC, NBFCs and the like. These agents should work on commission basis and be appointed from the area of operation of the branches.

To avoid unnecessary competition, RBI and sponsor banks should make a policy for transfer of business from rural branches of commercial banks to RRBs. In order to reduce over-dues, the RRBs in the state should be ready to give loans to non-priority sector also. Pandyan Grama Bank should take steps to utilize its assets in a profitable manner. In order to improve per branch and per employee performance of VGB, the bank should take some initiative steps to improve the profitability of loss making branches and introduce new management techniques to improve the efficiency of the staff.

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scheme to Feb, 2009 are shown in the Table-2.

Table 2: Showing RM Application Forms-Forwarded, Sanctioned, Rejected During The Period Oct, 2007 To Feb, 2009 By SBI

Particulars	No. of Application Forms	Amount Rs.
Forwarded	29	4,40,00,000
Sanctioned	11	2,00,00,000
Rejected	18	2,40,00,000

(Source: SBI reports)

It is evident from the Table: 2, that during the period Oct, 2007 to Feb, 2009, the total number of application forms forwarded are 29, of which sanctioned are 11 and rejected are 18. In terms of amount forwarded by the Secunderabad branch, the amount is Rupees Four crores and Forty lakhs out of which Rupees Two crores is sanctioned. It was stated by SBI officials that 99% of the applications have been rejected on the grounds of not having a clear title over the property.

CONCLUSIONS & SUGGESTIONS

The senior citizens will definitely find RM a solution for their financial needs after retirement and help them in regaining their feeling of independence. However, the concept of Reverse Mortgage (RM) is still at an infancy stage in India. To make it more acceptable :

- ✿ Aggressive marketing measures have to be taken up to bring the conceptual awareness.
- ✿ There should be complete transparency and clear-cut regulatory norms for benefit of the borrowers.
- ✿ Tax authorities must issue guidelines regarding tax treatment of the income streams.
- ✿ Potential clients should be counseled about the advantages of the product through bank councilors, senior citizen associations or forums.

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