

**PERFORMANCE EVALUATION OF MAHARASHTRA
GRAMIN BANK WITH RESPECT TO DEPOSITS AND
ADVANCES**

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Abstract (12pt)

Keywords:

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Regional Rural Banks (RRBs) play a vital role in the agriculture and rural development of India. The RRBs have reached to the rural area of India, through their huge network. The success of rural credit in India is largely dependent on their financial strength. RRBs are key financing institution at the rural level which takes the responsibility of meeting credit needs of different types of agriculture credit as well as other credit needs in rural areas. Present paper attempts to analyse two key performance indicators of Maharashtra Gramin Bank (MGB) namely Credit Deposit Ratio (CD Ratio) and advances over the 5 years period from 2010-11 to 2014-15. The study is based on the secondary data collected from annual reports of NABARD and MGB. It has been observed that the Cash Deposit Ratio has increased from 52.67% in 2011 to 71.86% in 2015, showing a high degree of positive co-relation. Hypothesis is tested for significance between priority sector and non priority sector lending and it is found that there is significant difference between the two. The study concludes that performance of MGB is satisfactory.

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1. Introduction

Village economy is the backbone of Indian economy. Without the development of the rural economy, the objectives of economic planning cannot be achieved.

Banks and financial institutions are considered to be playing a vital role for the development of the rural economy in India. Basically cooperative banks, credit societies and commercial banks were catering to the needs of rural credit. While cooperatives suffered from the financial weakness and managerial incompetence, political interference, commercial banks had limited coverage, inadequate appreciation of rural problems and high cost of operation. Whereas local feel and rural background was the strength of co-operation, the commercial banks enjoyed financial strength and managerial competence. It was, therefore thought to create an institution which would combine the strong points of these two institutions eliminating their defects. To examine the proposal of establishing rural banks as recommended by the banking commission, the Government of India appointed a "Working Group on Rural Banks" under the Chairmanship of Shri. M. Narsimham on July 1, 1975.

The Regional Rural Banks (RRBs), came into being in 1975 through an ordinance, which was later made RRBs Act, 1976, with the purpose of catering to the credit and other banking needs of the poor – small and marginal farmers, agricultural laborers, rural artisans, street vendors, petty traders and all those below the poverty line as mentioned in the preamble of the Act. At present there are 56 RRBs in India.

There are 2 banks operating in Maharashtra.

- 1) **Vidarbha Konkan Gramin Bank – covers districts.**
- 2) Maharashtra Gramin Bank (MGB) – covers 17 districts.

The current study is based on Maharashtra Gramin Bank (MGB).

2. Research Method

The present study is based on the secondary data collected from various reports published by NABARD, RBI and Annual Report of MGB. Other related information is collected from journals, conference proceeding and E-journals. The two key performing indicators have been studied namely credit deposit ratio and priority sector and non-priority sector advances of MGB for the period from 2011 to 2015.

For testing hypotheses, statistical tools like correlation, and Mann-Whitney test have been used.

3. Review of Literature:

A number of studies have been conducted to examine the performance and functioning of RRBs in the country. The literature obtained by investigators in the form of reports of various committees, NABARD, RBI, Research studies, articles of researchers, bank officials, economists, is briefly reviewed in this part. Some of the related literatures of reviews are as follow:

M. Narasimha Committee Report (1975) recommended that Govt. of India should participate as a major partner to exercise overall policy control in the operations of these banks.¹

Prof. Dantwala Committee concluded that the RRBs were suited for the purpose of progressively filling up the credit gap.²

Kelkar Committee Report (1977) concluded that "these banks have to confine their lending to weaker sections in small loans. RRBs should retain their present image of small man's bank."³

Bhandari Committee (1974) recommended that RRBs should be permitted to relocate their loss making branches.⁴

Many researchers studied the performance, role and profitability of RRBs.

Rakesh Malhotra (2003) had named the sponsored banks as an umbilical cord. To assess the relationship between sponsor bank and its RRB, various ratios were analyzed.⁵

P. V. Narasaiah, (2005) studied various key performing indicators to examine current scenario.⁶

BiswaSwaroop (2006) tried to find out whether loss making RRBs belonged to same sponsor banks or states.⁷

D Maheshwara Reddy (2011) compared RRBs from Andhra Pradesh with help of CAMEL model.⁸

VenkatPatil (2013) studied the RRBs in Maharashtra by examining the key performing indicators.⁹

Megha (2013) analyzed the performance of all RRBs with t-test, Ratio Analysis, for the period of 11 years.¹⁰

Kanika (2013) analyzed performance with various ratios and found out that there was increase in business, gradual reduction in number of loss making banks.¹¹

Rajesh Khatri (2014) analyzed the performance of Gujarat State with the help of common size statement, break even analysis, SWOT analysis.¹²

R Suresh (2015)¹³, K Kannusamy (2015)¹⁴, Balishter (2015)¹⁵, K.S. Prabhakar Rao (2015)¹⁶ examined the overall performance of RRBs with various statistical tests.

3.1 Gap of the study:

Different studies have covered whole gamut of performance of RRBs in India. But specific study of MGB has not been undertaken yet. Thus the researcher attempted the present study.

Further, an attempt is made to study specifically the CD Ratio, to know the extent at which MGB is deploying its deposits in creation of credit. Similarly, it is important to study to what percent of the total loans are granted for priority and non-priority sector.

4. Significance of the study:

The study has been focused on Deposits and Advances of MGB. This will help to improve the performance of MGB.

5. Objectives:

1. To study the growth of deposits and advances of Maharashtra Gramin Bank with the help of Credit to Deposit Ratio.(C:D Ratio)
2. To study the priority sector and non- priority sector advances of Maharashtra Gramin Bank.

6. Hypotheses:

1. There is growth in credit deposit ratio of Maharashtra Gramin Bank.
2. There is no significant difference between the priority sector advances and non-priority sector advances of Maharashtra Gramin Bank during the study period.

7. Scope of the study:

The study covers the performance of MGB relating to deposits and advances for the period of 5 years.

8. Limitations of Study:

The study is related with only one regional rural bank i.e. MGB.

9. Research Design :

The present study is confined only to the specific areas like deposits, advances etc. of MGB for the year 2011-2015. Present study is purely based on secondary data obtained from NABARD and annual reports of MGB. Statistical techniques namely Standard Deviation, correlation and graphical representation have been used for the purpose of analysis. In order to test the hypotheses Mann Whitney test is used.

10. Data Analysis and Interpretation

10.1 Credit Deposit Ratio of MGB: (CD Ratio)

The RRBs are formed to mobilize savings and develop the rural economy by providing credit and other facilities for the purpose of the development of the agriculture and allied activities of the targeted poor people. The credit deposit ratio of the bank indicates the creation of credit out of the deposits mobilized by the bank. These are indicated in Table 1.

Table 1: Credit Deposit Ratio of MGB (Rs. In Crores)

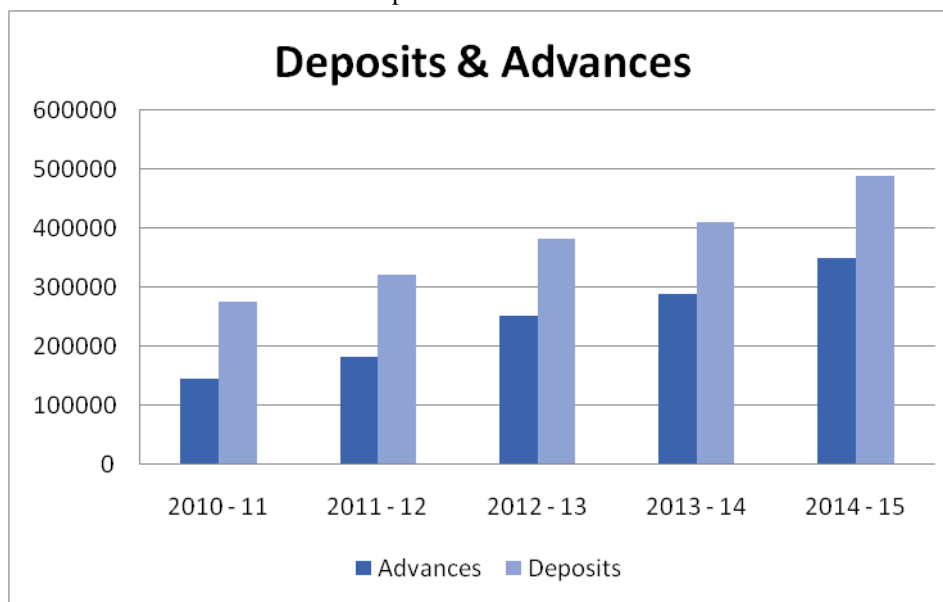
Year	Deposits (Rs.)	Advances (Rs.)	CD Ratio (%)
2010-11	274335.86	144541.73	52.67
2011-12	319634.91	182303.77	57.04
2012-13	380759.72	251751.04	66.12

2013-14	409987.40	287496.42	70.12
2014-15	486427.66	349541.25	71.86

Source: Compiled from annual reports of MGB & NABARD.

10.2 Correlation between advances and deposits:

Correlation between advances and deposits = $= 0.997159$



Source : Compiled from annual reports of MGB & NABARD as per table no.1

From table No. 1 it can be revealed that

1. There is steady growth in CD ratio, from 52.67% in 2011 to 71.86% in 2015.
2. Deposits of MGB which were Rs.27.43 Crores in 2010-11, have been raised to Rs.48.64 Crores showing 77.32% increase.
3. Advances of MGB which were Rs.14.45 crores in 2010-2011 have been raised to Rs.34.95 crores showing 141.86% increase.

It shows a positive performance of utilization of funds from the source deposits, and both of them are having high degree of positive correlation.

10.3 Comparison of priority sector advances and non-priority sector advances of MGB:

The bank provides advances in two forms.

1. Priority sector Advances :
 - a. Agriculture
 - i. Crop loans
 - ii. Term loans
 - iii. SHG
 - b. Other priority (Non-agri.)
 - i. Housing to public
 - ii. Education
 - iii. Medium Scale Enterprises
2. Non-Priority Advances
 - a. Term loans
 - b. Bills purchased / discounted

10.4 Data Analysis:

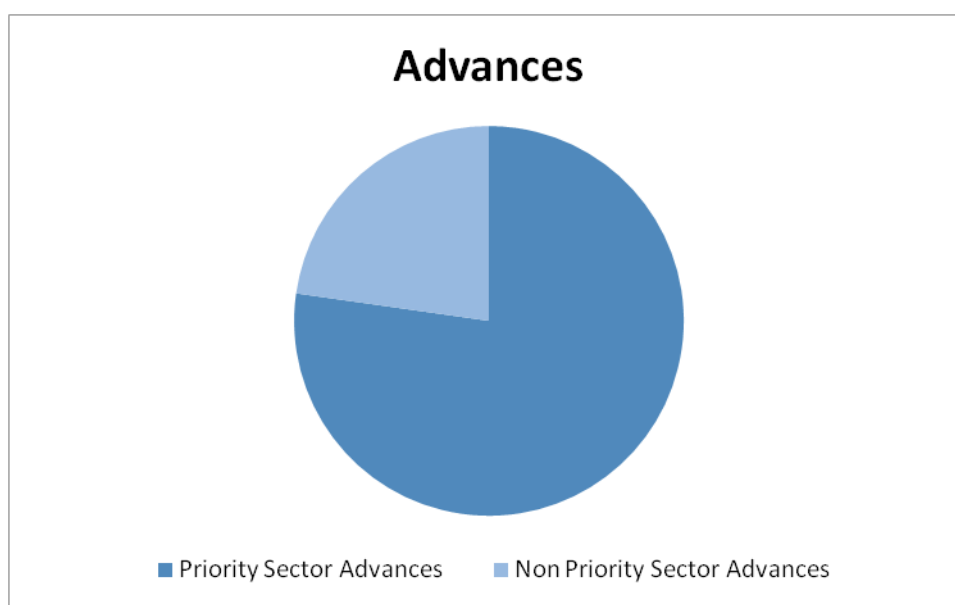
In order to study statistically the significant difference between the growth rate of priority sector advances and of non-priority sector advances of MGB, Mann-Whitney test was used. (MWT)

This test is a non-parametric method in statistical work. MWT is used to find out whether the two populations are identical or whether there is any significant difference between the two populations. This test is appropriate when sample size is small i.e. less than 10.

Table 2: Comparison of Priority Sector and Non- Priority Sector Advances Mann-Whitney test

Year	Priority Sector Advances		Non- Priority Sector Advances	
	Rs. Lacks	Rank	Rs. Lacks	Rank
2010-11	124272.42	6	20269.31	1
2011-12	136026386	7	46276.91	2
2012-13	156891.96	8	94859.08	5
2013-14	211205.27	9	48291.15	4
2014-15	245081.78	10	47459.47	3
Total		40		15

Source – Compiled from annual reports of MGB & NABARD.



Source: Compiled from annual reports of MGB & NABARD.

The table value of T (T_L) for $n_1 = 5$ and $n_2 = 5$ at 5% level of significance is 17.

$n_1 = 5$ growth rate at priority sector advances.

$n_2 = 5$ growth rate at non priority sector advance.

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

$$= 5 (5+5+1) - 17$$

$$T_u = 38$$

It is inferred from Table 2 that the T value 40 is greater than T_L 17 and T_u i.e. 38 is less than T value. Whereas in case of non-priority sector T value 15 is less than T_L 17 and T_u 38 is greater than T value 15. Hence the null hypothesis framed here is rejected and alternative hypothesis is accepted. This shows there is significant difference between the growth rate of priority sector advances and of non- priority sector advances of MGB.

11. Conclusion

From the above analysis it can be concluded that the efforts made by MGB deposit mobilization, rural development and credit deployment in weaker sections of rural areas are satisfactory. Priority Sector is a sector, which in the absence of inclusion in the priority sector categories would not get timely credit. The MGB's high share of priority sector shows that it is fulfilling the objective of providing adequate credit for rural development.

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