

Impact of Banking Performance on Rural Economy

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ABSTRACT: An attempt is made to analyse the performance and impact of rural banking on rural economy through various parameters collected from bank officials such as number of employees, number of accounts, advances and deposits mobilization and from customers such as sources of information, staff co-operation, decadal difference and suggestions provided by account holders/customers. For the analysis of the qualitative research excel functions of sum, count and proportion has been used. The study has analysed that even though the working of rural banking has considerably declined, the progress, performance and their impact has significantly improved over time with scope of improvement. The study reported that there is significant improvement in working of banking performance in urban and rural areas and it is also noticeable that facilities provided by them has increased over a decade.

Key Words: rural banking, bank officials, account holders.

Introduction

After 65 years of independence, still 65 per cent of total population lives in rural areas. The upliftment of rural economy is largely depending upon the strength of the rural sector. India is a nation of agriculture and its development depends on how effectively it is financed by the various banks both for agriculture and industry. Both agriculture and rural development have attracted the attention of the economist, planners and the social scientists because they are providing strong base to the development of a nation. In India Regional Rural Banks (RRBs) play an important role in meeting credit needs of the weaker section by providing financial assistance for the development of rural population, agriculture and industry. The RRBs provide loans and advances and mobilize deposits primarily for rural/semi-urban people such as small and marginal farmers, landless labourers, agricultural laborers, rural artisans, and other segments of priority sector. Rural Banking has contributed significantly in the multiagency approach of the govt. to provide agricultural and rural credit in rural India. Considering the requirement of banking services for rural people the Government of India appointed a Working Group under the Chairmanship of M. Narsimham, who examined the problems of rural finance, suggested a new form of bank called Regional Rural Banks to provide low cost banking facilities to the poor. In India the Regional Rural Banks (RRBs) were established on October 2, 1975 under Regional Rural Banks Act, 1976 RRBs which are jointly owned by the Govt. of India in the proportion 50:15:35 by Central Government, the concerned State Government and the sponsoring bank. The present paper aims at analysing the impact of Gramin Bank of Aryavart's performance on the bank officials and account holders in Lucknow district. This paper hinges fundamentally on primary sources of data relying on field survey in assistance with this bank's annual reports for the time period of 2001 to 2016.

Rural Banking in Rural Economy: Overview and Historical Backdrop

In India Regional Rural Banks (RRBs) play an important role in meeting credit needs of the weaker section by providing financial assistance for the development of rural population, agriculture and industry. The RRBs provide loans and advances and mobilize deposits primarily for rural/semi-urban people such as small and marginal farmers, landless labourers, agricultural laborers, rural artisans, and other segments of priority sector. Banking in rural areas has made significant contribution in the multiagency approach of the govt. to provide agricultural and rural credit to rural masses. Considering the requirement of banking services for rural people the Government of India constituted Gramin Bank of Aryavart in Lucknow and nearby regions. **Gramin Bank of Aryavart** is a regional rural bank which was constituted on April 1, 2013 after amalgamation of **Shreyas Gramin Bank** sponsored by Canara Bank and **Aryavart Kshetriya Gramin Bank** sponsored by Bank of India. Gramin Bank of Aryavart a new entity formed after merger works as per provisions under Regional Rural Banks' Act 1976. The Gramin Bank of Aryavart is operating in 15 districts namely Agra, Aligarh, Barabanki, Etah, Faizabad, Farrukhabad, Firozabad, Hardoi, Hathras, Kannauj, Kashiram

Nagar, Lucknow, Mainpuri, Mathura & Unnao in the State of Uttar Pradesh. Gramin Bank of Aryavart has a network of 651 branches & 11 regional offices based on CBS platform and enabled with RTGS/NEFT facility. The Head Office of the Bank is situated in Lucknow, the capital of Uttar Pradesh. The Regional Offices of the Bank are located at Agra, Aligarh, Barabanki, Etah, Farrukhabad, Hardoi, Hathras, Kannauj, Lucknow, Mainpuri & Unnao.

Performance and Impact of GBA in Lucknow district:

To find out the impact of GBA, a short study was conducted taking the sample of Lucknow district. An attempt has been made to identify the general impact on rural section of the district under its operation. The study is confined to two branches of Lucknow district, two branches before merger namely Aliganj and Gudamba. Here Aliganj is urban branch and Gudamba is semi-rural branch. The analysis is based on primary data collected from the account holders having their account before merger with the help of well-structured interview method.

The Sample Design:

The selection of account holders was based on stratified random sampling of two localities Aliganj and Gudamba. The respondents chosen were pre-merger a/c holders. As merger of Gramin Bank of Aryavart was held in two phases, 2006 and 2013 respectively and core banking solutions started in 2011 in RRBs so data was collected from account holders having their accounts since 2001 but not later than 2008, and have witnessed a decadal change. The total number of 50 respondents were interviewed 25 from each branch.

Methodology:

Personal interview method was followed to collect necessary information from chosen respondents. Cross sectional approach was used to evaluate the impact of merger on the account holders of different occupations and income classes. Respondents having accounts saving and current for more than a decade have been randomly selected to estimate the decadal difference in performance of bank pre and post-merger. The main indicators included in the interview were related to bank information, staff cooperation, ATM and SMS facility, infrastructural changes, decadal differences in performance of GBA and major suggestions provided by respondents.

Analysis of data:

Data has been analysed using qualitative theme framework analysis using excel software. Formulae used were growth percentage, countif and sum function, percentage and proportions. The raw data collected was edited, coded, themed and analysed using excel formulae. An attempt has been made to generalize the results obtained taking into account the settings, constraints and limitations of the study.

Significance of the Study:

The research study significantly evaluates financial performance of RRBs in India. The results of the present study are useful in analysis of performance of GBA to provide an outline to the banking policy makers to improve the working of the RRBs in Lucknow District. Impact study of this kind clearly indicates how bank is successful in its job of providing rural credit to rural section for their development. It highlights the progress of RRBs after amalgamation i.e. 2006 in Lucknow District.

Limitation of the Study:

1. The sample size is not adequately as large to cover maximum number of account holders.
2. The research work is analysis of financial data collected from secondary sources.
3. The area of study is Lucknow districts, so generalization of the results of the study could only be restricted to the area under investigation.
4. Most of the data and information will be based on the verbal responses of the respondents the chance of bias is there. Further, it is also likely that some of the answers might not fully and correctly reflect the inner thoughts and aspirations of the respondents about rural financing operations of banks.

Primary data interview: respondents of GBA (bank info of respondents)

Primary data collection is through scheduled interview method for which respondents of GBA of Aliganj and Gudamba branches were interviewed for this study. This study is designed to present the empirical analysis of the main theme under study which are:

Bank information sources of respondents:

Bank information was collected by 50 old account holders of the bank branches having their accounts for more than a decade since 2001 not later than 2008. Major sources of information as mentioned in table 4.1 was provided by bank to account holders on reaching banks in query of any new information. Relatives were the secondary source of information accounted for 20% and it was found that rural section of Lucknow region were usually unaware of any new scheme as self-information gathered was only 1%.

Staff co-operation:

As we have seen in table 4.1 that major source of information for account holders was bank on reaching bank for any query so we can conclude that the staff co-operation was high. Table 4.1 shows that 60% of the staff was helpful, the only problem was slow working. Around, 20% of respondents complained about the staff bout overall staff was found co-operative.

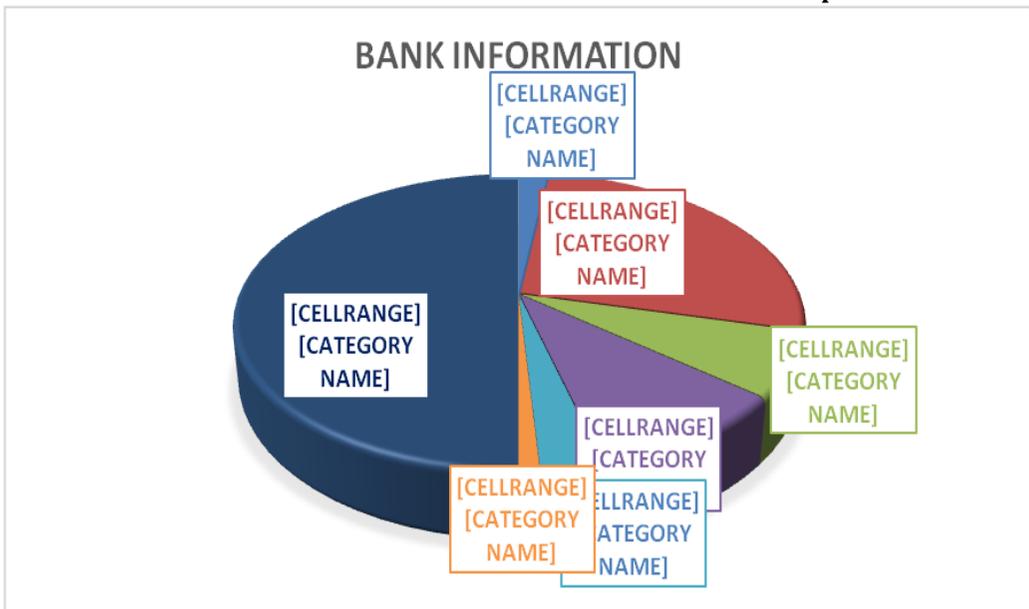
Chart 4.2 shows the number of respondents and their percentage related to the bank information and staff co-operation in pie chart form. It is a digramatic presentation of table 4.1 witnessing 54% information provider is bank and bank officials are 60% helpful. The only problem was slow working accounting for 12% and information acquiring by self-accounting for just 1%. This shows that customers need to be more aware by use of internet and working should be increasing by use of computers and internet.

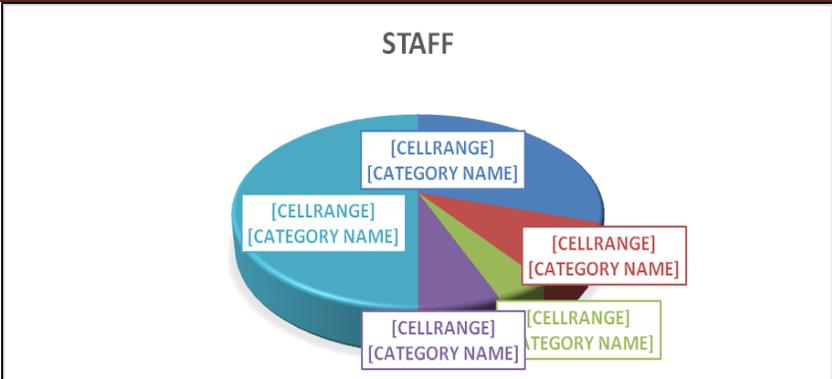
Table 4.1 Bank Information Sources and Staff Co-operation

Statistics Frequency			Statistics Frequency		
Bank Information			Staff	No.	Percent
Agent	2	4%	Helpful	30	60%
Bank	27	54%	Not Helpful	10	20%
Friends	7	14%	Good Staff	4	8%
Relatives	10	20%	Slow Working	6	12%
Neighbour	3	6%	Total	50	100%
Self	1	2%			
Total	50	100%			

Source: Field Surveyed Data is Self-Compiled.

Table 4.2 Chart of Bank information sources and staff Co-operation





ATM and SMS Facility:

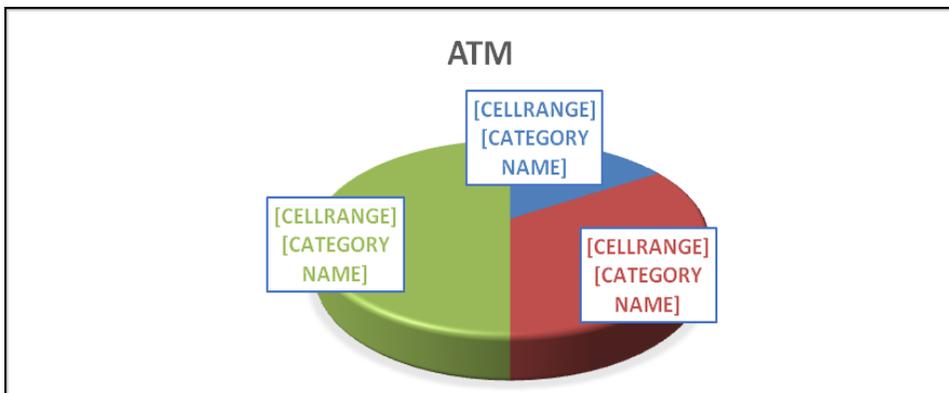
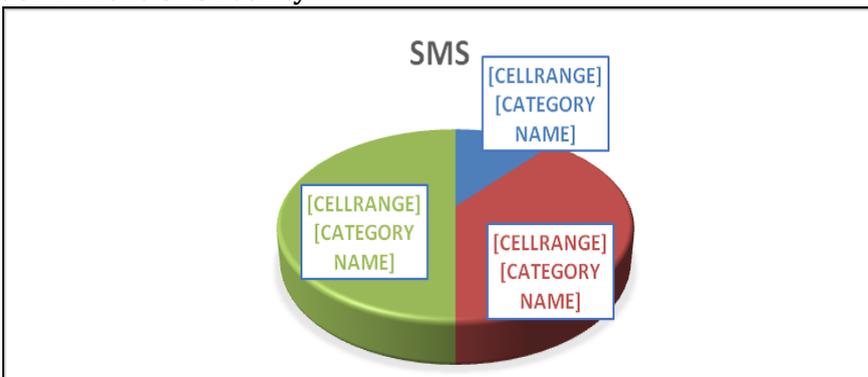
Table 5.1 shows that 78 % respondents do not use ATM facility and 68% do not use SMS facility. In this digitalized world there is need for core banking facilities and computerization, therefore bank is initiating these facilities. ATM: Bank has started providing 31520 RuPay Debit Cards and 67110 RuPayKisan Credit Cards to its customers. Bank has also planned to install its own ATM in rural areas where no other ATMs are installed, for this the bank has selected 45 such locations for installation. Bank is using core banking solutions, KYC information to link SMS facility wit accounts. Chart 5.1 is showing diagrammatic presentation of surveyed percentage of atm and sms facility used by the respondents using a pie chart.

Table 5.1 ATM and SMS Facility

Statistics Frequency					
Sms	No.	Percent	Atm	No.	Percent
Yes	11	22%	Yes	16	32%
No	39	78%	No	34	68%
Total	50	100%	Total	50	100%

Source: Field Surveyed Data is Self-Compiled.

Table 5.2 Chart of ATM and SMS Facility



Decadal difference witnessed by respondents:

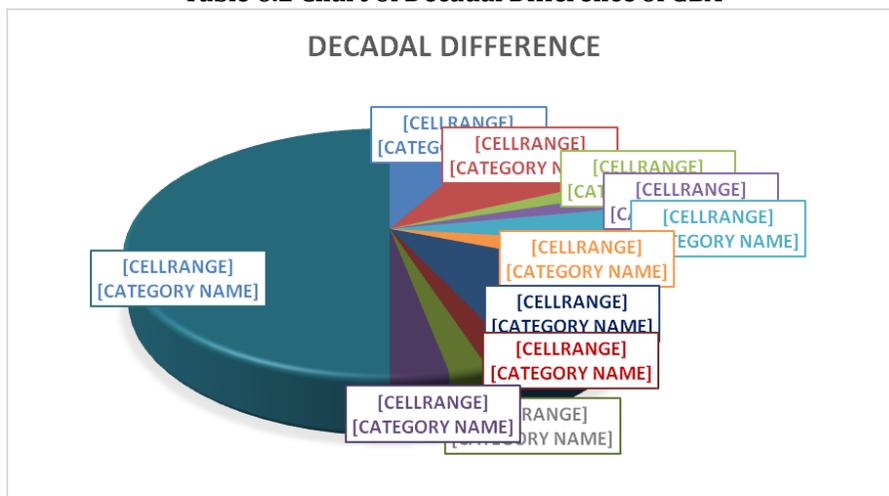
This study was conducted to analyse the decadal difference pre and post merger of GBA. For this time period from 2001-2016 has been taken. Respondents surveyed were having account in the bank for more than a decade. It was found that moreover working is same, major difference found were CBS (core banking solutions), fast and skilled working. Table 6.1 shows that 24% responses showed no change, 20% said working has speeded and staff is more skilled than earlier, 16% said core banking facilities and computerization has increased working, which is presented in chart form in table 6.2.

Table 6.1 Decadal Difference in GBA

Decadal Difference (10 Types of Themes)		
Decadal Difference	No.	Percent
Core Banking system	8	16%
Fast Skilled Working	10	20%
Clearing Facility	2	4%
Slow Unskilled Working	2	4%
Barcode Cheques	5	10%
Computer	4	8%
Same	12	24%
Electronic Token and Note Counting	2	4%
Interior Decoration	2	4%
Rtgs	3	6%
Total	50	100%

Source: Field Surveyed Data is Self-Compiled.

Table 6.2 Chart of Decadal Difference of GBA



Conclusion:

In this study it was observed that progress of the GBA has improved post-merger specially after computerization and CBS system started in 2011. Even though the number of staff in each branch is inappropriate in comparison to savings and current accounts opened in respective branches then too the customer were satisfied with the co-operation and help provided by bank officials. ATM and SMS facilities and computerization are the basic requirement of the account holders. Overall it could be concluded that the performance of the bank and its impact on rural and urban areas has increased over time and it is still striving for providing and enhancing its facilities for the satisfaction of the customers.

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