



FUNCTIONAL PROGRESS OF REGIONAL RURAL BANKS IN PRIORITY SECTOR LENDING: A CASE STUDY OF PUNJAB STATE

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ABSTRACT

Rural credit is of crucial significance in any effort to eliminate rural poverty and optimize employment opportunities in the rural areas. Broadly there are two sources of credit available to farmers – Institutional and non- institutional or private. Non-institutional or private sources include money lenders, traders and commission agents, relatives and landlords, institutional sources consist of the Government and Cooperatives, Commercial banks including Regional Rural Banks. The present study is an attempts to analyze the share of the Regional Rural Banks in comparison to the shares of Commercial and Cooperative in Punjab in terms of deposit mobilization, credit deployment, priority sector lending etc. with special reference to Agriculture and SSI in the Punjab State during 1997-98 to 2011-12. The study is based on secondary data collected from State Level Bankers' Committee Punjab.

Keywords: NABARD, RRBs, SSI, SLBC, RBI

INTRODUCTION

India is land of villages, and village economy is the backbone of Indian economy. One cannot think of achieving economic development till there is rural development. The objectives of economic planning can be achieved only when the rural masses are uplifted. For the upliftment of rural masses supply of adequate finance is the basic requirement. Rural credit is of crucial significance in any effort to eliminate rural poverty and optimize employment opportunities in the rural areas. As far as rural finance is concerned, a large network financial institution has been organized and operating in the rural areas.

Since independence, a multi-agency approach consisting of Cooperatives, Commercial and Regional Rural Banks known as institutional credit has been adopted to provide cheaper and adequate credit to farmers. The consolidation of Multi-Agency approach has started with the establishment of National Bank for Agriculture and Rural Development (NABARD) in 1982. However, the RBI continues to be the apex authority in regulating credit to agriculture and other priority sectors through, credit control measures and providing financial support to NABARD for its operations.

In other words, the Government has created total infrastructure of rural credit which comprises of Reserve Bank of India, NABARD, Commercial Bank and State Cooperative Banks at the state level, District Central Cooperative Banks, Regional offices of Commercial Banks and Regional Rural Banks at district level and Primary Agricultural Cooperative societies, Farmer's Service Societies and the branches of Regional Rural Banks at the grass root level. From the socio-economic point of view, Punjab is one the most developed state in India. Its economy

is predominantly agrarian and about two-third of the total population lives in rural area. In such conditions rural credit plays an important role in boosting the economic development of the Punjab.

At the end of March 2012, 3386 branches of Commercial Banks and 823 branches of Cooperative Banks has been operating in the state. Commercial Banks have raised an aggregate deposit of Rs. 152152.39 crore and advanced of Rs.139438.92 crore at the end of March,2012. The same figures for Cooperative Banks have been Rs.9529.57 crore and Rs. 10261.24 crore respectively.

In Punjab, three Regional Rural Banks were established on March 31, 1983, viz. Shivalik Kshetriya Gramin Bank, Kapurthala-Ferozpur Kshetriya Grameen Bank and Gurdaspur- Amritsar Kshetriya Gramin Vikas Bank. These three RRBs were sponsored by Punjab National Bank. Two RRBs came into existence in the year 1986. Malwa Gramin Bank, sponsored by State Bank of Patiala was established on February 27, 1986. Faridkot- Bathinda Kshetriya Gramin Bank (now Sutlej Gramin Bank), sponsored by Punjab & Sind Bank was established on March 22, 1986. Due to the merger of three RRBs sponsored by Punjab National Bank on September 12, 2005, the number of RRBs in Punjab was reduced to three, operating with a network of 284 branches as on March 31, 2012.

OBJECTIVES

The objectives of the study are

- To analyze the growth of Commercial, Cooperative and Regional Rural Banks in Punjab.

- To analyze the share of Commercial, Cooperative and Regional Rural Banks in Priority sector advances with special reference to Agriculture and SSI in selected areas.

SCOPE AND METHODOLOGY

The present study covers Commercial, Cooperative and Regional Rural Banks operating in Punjab during 1997-98 to 2011-12. Since the study is analytical in nature, therefore, secondary data have been used to accomplish the study purpose. The required data have been collected from the State Level bankers' Committee Punjab. Since, the data are spread over a time period, percentage, exponential growth rate and coefficient of concentration have been used in study in order to draw meaningful conclusion.

1. The exponential growth rate has been calculated by using following exponential relationship:

$$Y = AB^T$$

Where 'Y' is the variable, for which rate of growth is calculated, 'T' is time. Taking logarithm both sides

$$\log Y = \log A + T \log B$$

By estimating this log linear relationship with the help of the least square method, rate of growth has been derived by relation.

$$B = 1 + g$$

Where g is the exponential growth rate and $g = (B - 1) \times 100$

2. Coefficient of concentration has been used to measure the concentration of any variable in various channels which includes mainly banks in the present study the formula used is Coefficient of Concentration

$$(X) = \frac{1}{2} \sum |p_i - p|$$

p_i is the proportionate share of i^{th} channel in the total value of the variable.

P is hundred divided by number of channels in which a variable can be put.

X = Coefficient of Concentration which varies from 0 to 100. Higher the value of coefficient of concentration more is concentration and vice-versa.

Branch Expansion

Branch expansion has always been subject to the controls under Banking Regulation Act, 1949. The idea behind such controls has been to prevent unsound banking practices and misuse of public money by incompetent and dishonest bank management. (Joshi: 1978).

From time to time RBI has made changes in its branch licensing policy. The branch licensing policy formulated by RBI for the years 1979-81 has sought to ensure (a) opening of more bank offices in the unbanked regions of rural areas; and (b) an increasing flow of credit to weaker sections. Under the another branch expansion licensing policy announced by the RBI for the fiscal years 1982-85, the main thrust continued to be on (a) penetration of rural and semi-urban areas; (b) reducing regional disparities in the spread of banking facilities. The branch expansion policy 1985-90 as laid down by the RBI has intended to expand and strengthen semi-urban areas. The 1985-90 policy for the first time has given importance to the concept of financial viability in the guidelines issued for opening of new branch offices. Licenses have to be given only to those banks whose overall performance is commendable. (Chawla: 1982).

Table 3.1

Year-wise Total Number of Branches of Commercial, Cooperative and Regional Rural Banks in Punjab					
Year	Commercial Banks	Cooperative Banks	Regional Rural banks	Total	Coefficient of Concentration
1997-98	2228	719	201	3148	37.44
	(70.78)	(22.84)	(6.38)	(100)	
1998-99	2269	773	201	3243	36.63
	(69.96)	(23.84)	(6.20)	(100)	
1999-00	2298	787	204	3289	36.53
	(69.86)	(23.93)	(6.21)	(100)	
2000-01	2325	791	203	3319	36.72
	(70.05)	(23.83)	(6.12)	(100)	
2001-02	2350	796	202	3348	36.86
	(70.19)	(23.78)	(6.03)	(100)	
2002-03	2393	834	204	3431	36.41
	(69.75)	(24.30)	(5.95)	(100)	

2003-04	2453	824	206	3483	37.09
	(70.43)	(23.66)	(5.91)	(100)	
2004-05	2530	811	210	3551	37.91
	(71.25)	(22.84)	(5.91)	(100)	
2005-06	2544	799	211	3554	38.25
	(71.58)	(22.48)	(5.94)	(100)	
2006-07	2688	800	211	3699	39.33
	(72.67)	(21.63)	(5.70)	(100)	
2007-08	2829	805	219	3853	40.09
	(73.42)	(20.90)	(5.68)	(100)	
2008-09	2973	808	236	4017	40.68
	(74.01)	(20.11)	(5.88)	(100)	
2009-10	3188	807	241	4236	41.92
	(75.26)	(19.05)	(5.69)	(100)	
2010-11	3457	823	261	4541	42.79
	(76.13)	(18.12)	(5.75)	(100)	
2011-12	3841	823	284	4948	44.29
	(77.63)	(16.63)	(5.74)	(100)	
GR	3.56	0.51	2.07	2.82	

Source: SLBC Meeting Agenda Papers.

Note: Figures in bracket show percentage.

Table 3.1 shows year wise total number of branches of Commercial, Cooperative and Regional Rural Banks in Punjab during 1997-98 to 2011-12. The table reveals that Commercial Banks have maximum branches numbering 2228 in 1997-98 and 3841 in 2011-12, followed by Co-operative Banks 719 in 1997-98 and 823 in 2011-12. On the other hand Regional Rural Banks have minimum number of branches that is 201 in 1997-98 and 284 in 2011-12. The share of Commercial Banks in total number of branches in Punjab has increased from 70.78 percent in 1997-98 to 77.63 percent in 2011-12, whereas the share of Cooperative Banks in total number of branches in Punjab has declined from 22.83 percent in 1997-98 to 16.63 percent in 2011-12. The share of Regional Rural Banks in total number of branches in Punjab has also declined; it is 6.38 percent in 1997-98 which has come down to 5.74 percent in 2011-12. During the period of study, the highest growth rate of branches is observed for Commercial Banks (3.56 percent), followed by Regional Rural Banks (2.07 percent) and Cooperative Banks (0.52 percent). However, the total number of branches of three types of banks operating in Punjab has registered a growth rate of 2.83 percent during the period of study. The

coefficient of concentration has increased significantly from 37.44 percent in 1997-98 to 44.29 percent in 2011-12, indicating that there has been an increase in inter bank disparity in Punjab with regard to number of branches of various categories of banks.

Growth of Deposits

Deposits are the main stay of bank funds and major component of bank liabilities. It determines the path of growth of the financial institution. The mobilization of deposits by banks serves as the basis of capital formation and facilitates the process of economic development. Deposit mobilization depends upon the saving capacity and habits of the people of the area in which the bank is operating. It also depends upon the business policy of the RBI. Another factor which determines the size of deposits is the rate of interest. If the rate of interest is high, number of deposit accounts will be more. Deposits mobilized by the banks play a key role, not only as an important source of fund but also as an instrument for promoting saving and banking habits among the masses. The deposits of Commercial, Cooperative and Regional Rural Banks in Punjab have registered a magnificent growth during the period of study.

Functional progress of regional rural banks in priority sector lending

Table 3.2

Year-wise Total Deposit of Commercial, Cooperative and Regional Rural Banks in Punjab
(Rs. Crore)

Year	Commercial Banks	Cooperative Banks	Regional Rural Banks	Total	Coefficient of Concentration
1997-98	27302.12 (93.03)	1733.04 (5.90)	313.59 (1.07)	29348.75 (100)	59.69
1998-99	32192.42 (93.12)	1991.17 (5.76)	387.52 (1.12)	34571.11 (100)	59.78
1999-00	38112.19 (92.77)	2484.87 (6.05)	484.05 (1.18)	41081.11 (100)	59.44
2000-01	43330.02 (92.47)	2923.06 (6.23)	607.07 (1.30)	46860.15 (100)	59.13
2001-02	49531.10 (92.48)	3306.09 (6.18)	718.80 (1.34)	53555.99 (100)	59.15
2002-03	54680.77 (92.51)	3612.64 (6.11)	813.40 (1.38)	59106.81 (100)	59.18
2003-04	60901.90 (92.91)	3718.93 (5.67)	929.19 (1.42)	65550.02 (100)	59.57
2004-05	66229.95 (92.73)	4142.75 (5.80)	1048.63 (1.47)	71421.33 (100)	59.40
2005-06	71868.71 (92.48)	4631.74 (5.96)	1214.51 (1.56)	77714.96 (100)	59.14
2006-07	84936.39 (92.90)	5071.57 (5.55)	1422.59 (1.55)	91430.55 (100)	59.56
2007-08	98137.17 (92.98)	5683.92 (5.38)	1730.51 (1.64)	105551.60 (100)	59.64
2008-09	116988.12 (93.32)	6220.72 (4.96)	2157.11 (1.72)	125365.95 (100)	59.98
2009-10	129182.42 (92.77)	7493.60 (5.38)	2576.13 (1.85)	139252.15 (100)	59.43
2010-11	151520.91 (92.90)	8548.19 (5.24)	3037.66 (1.86)	163106.76 (100)	59.56
2011-12	170140.32 (92.88)	9529.57 (5.20)	3518.82 (1.92)	183188.71 (100)	59.54
GR	13.42	12.00	18.16	13.41	

Source: SLBC Meeting Agenda Papers

Note: Figures in bracket show percentage.

Table 3.2 reveals that the amount of deposit mobilized by Commercial Banks has increased from Rs.27302.12 crore in 1997-98 to Rs. 170140.32 crore in 2011-12. However, the share of Commercial Banks in total deposits in Punjab has decreased marginally from 93.03 percent in 1997-98 to 92.88 percent in 2011-12. The table further reveals that the deposits of Cooperative Banks has increased from Rs.1733.04 crore in 1997-98 to Rs.9529.57 crore in 2011-12, but, the share of Cooperative Banks in Punjab's total deposits has decreased from 5.90 percent in 1997-98 to 5.20 percent in 2011-12. The total deposits of Regional Rural Banks have also increased from Rs.313.59 crore to Rs.3518.82 crore in 2011-12. The share of Regional Rural Banks in total deposits has remained very meager; it has been 1.07 percent in 1997-98 which has increased to 1.92 percent in 2011-12. It is important to note that, although the share of Regional Rural Banks in total

deposits is very low, the deposits of Regional Rural Banks have increased at the rate of 18.16 percent which is higher than the growth rates of deposits of Commercial Banks (13.42 percent) and Cooperative Banks (12.00 percent) during the period under study. The total deposits in Punjab have increased from Rs. 29348.75 crore in 1997-98 to Rs. 183188.71 crore in 2011-12 and have registered a growth rate of 13.42 percent during the period of study. There has been no change in inter bank disparities with regard to deposit mobilization since the coefficient of concentration has depicted same trend during the period of study.

Deposits per Branch

The functional progress of banks has been measured by calculating deposits per branch that has been presented in Table 3.3.

Table 3.3
Year-wise Deposit Per Branch of Commercial, Cooperative and Regional Rural Banks in Punjab
(Rs. Crore)

Year	Per Branch Deposit of Commercial Banks	Per Branch Deposit of Cooperative Banks	Per Branch Deposit of Regional Rural Banks	Coefficient of Concentration
1997-98	12.25	2.41	1.56	42.19
1998-99	14.19	2.58	1.93	42.57
1999-00	16.58	3.16	2.37	41.66
2000-01	18.64	3.70	2.99	40.26
2001-02	21.08	4.15	3.56	39.88
2002-03	22.85	4.33	3.99	39.98
2003-04	24.83	4.51	4.51	40.01
2004-05	26.18	5.11	4.99	38.82
2005-06	28.25	5.80	5.76	37.64
2006-07	31.60	6.34	6.74	37.39
2007-08	34.79	7.06	7.90	36.53
2008-09	39.35	7.70	9.14	36.70
2009-10	40.52	9.29	10.69	33.65
2010-11	43.83	10.37	11.64	33.23
2011-12	44.30	11.58	12.39	31.55
GR	9.53	11.42	15.76	

Note: Calculated on the basis of Table 3.1 and 3.3.

Functional progress of regional rural banks in priority sector lending

The table reflects that Commercial Banks have highest deposits per branch at Rs. 12.25 crore, followed by Cooperative Banks at Rs. 2.41 crore and Regional Rural Banks Rs. 1.56 crore in the year 1997-98. This figure has increased to Rs. 44.30 crore for Commercial Banks, Rs. 11.58 crore for Cooperative Banks and 12.40 crore for Regional Rural Banks in 2011-12. The highest growth rate in deposits per branch that is 15.76 percent has been achieved by Regional Rural Banks followed by Cooperative Banks (11.42 percent) and Commercial Banks (9.53 percent) during the period of study. Thus, although deposits per branch are lowest in the case of Regional Rural Banks, but it has grown at the highest rate over the period.

The coefficient of concentration has significantly declined from 42.19 percent in 1997-98 to 31.55 percent in 2011-12 explaining that there has been much change in the relative position of various categories of banks with regard to per branch deposit mobilization during the period under study. The inter-bank disparities in deposit per branch have reduced.

Growth of Credit

Rural credit is one of the most important factors that could be used effectively to increase the ability of rural poor to become more productive. Year-wise deployment of credit by Commercial, Cooperatives and Regional Rural Banks is shown in Table 3.4.

Table 3.4
Year-wise Total Credit of Commercial, Cooperative and Regional Rural Banks in Punjab

(Rs. Crore)					
Year	Commercial Banks	Cooperative Banks	Regional Rural Banks	Total Advances in Punjab	Coefficient of Concentration
1997-98	10858.04 (88.77)	1229.67 (10.06)	143.62 (1.17)	12231.33 (100)	55.44
1998-99	12991.41 (86.52)	1865.55 (12.42)	159.20 (1.06)	15016.16 (100)	53.18
1999-00	15227.62 (85.95)	2307.43 (13.03)	181.58 (1.02)	17716.63 (100)	52.62
2000-01	18372.52 (86.34)	2684.66 (12.62)	221.10 (1.04)	21278.28 (100)	53.01
2001-02	21033.75 (85.63)	3253.79 (13.25)	275.24 (1.12)	24562.78 (100)	52.30
2002-03	24028.56 (84.89)	3927.60 (13.88)	350.74 (1.23)	28306.90 (100)	51.55
2003-04	28572.21 (85.99)	4226.51 (12.72)	427.37 (1.29)	33226.09 (100)	52.66
2004-05	36146.22 (87.94)	4407.86 (10.72)	548.73 (1.34)	41102.81 (100)	54.61
2005-06	44649.08 (88.81)	4966.79 (9.88)	658.81 (1.31)	50274.68 (100)	55.48
2006-07	58644.68 (89.39)	5686.26 (7.91)	839.16 (2.70)	65170.10 (100)	56.65
2007-08	70433.92 (89.76)	6957.42 (8.87)	1078.36 (1.37)	78469.70 (100)	56.42
2008-09	80451.71 (90.20)	7384.99 (8.28)	1355.44 (1.52)	89192.14 (100)	56.87
2009-10	96579.89 (90.96)	7995.17 (7.53)	1606.85 (1.51)	106181.91 (100)	57.62
2010-11	118602.21 (91.60)	8773.99 (6.78)	2102.95 (1.62)	129479.15 (100)	58.26
2011-12	139438.92 (91.54)	10261.24 (6.74)	2621.02 (1.72)	152321.18 (100)	58.21
GR	20.46	14.36	24	19.91	

Source: SLBC Meeting Agenda Papers.

Note: Figures in bracket show percentage.

The table shows that Commercial Banks have the highest quantum of credit at Rs.10858.04 crore in 1997-98, followed by Cooperative and Regional Rural Banks with credit of Rs.1229.67 crore and Rs.143.62 crore respectively. Credit deployment by Commercial Banks has increased to Rs.139438.92 crore in 2011-12, followed by Cooperative and Regional Rural Banks where it stands at Rs.10261.24 crore and Rs.2621.02 crore respectively. If we look at the growth of credit deployment, Regional Rural Banks have the highest growth rate (24 percent), followed by Commercial Banks (20.46 percent) and Cooperative Banks (14.36 percent). The

amount of total institutional credit in Punjab has increased from Rs.12231.33 in 1997-98 to Rs. 152321.18 in 2011-12 and has listed a growth rate of 19.91 percent. There has been no reduction in inter bank disparities with regard to total credit, since the concentration has depicted an increase from 55.44 percent in 1997-98 to 58.21 percent in 2011-12.

Credit Per Branch

The functional progress in credit deployment is depicted in Table 3.5.

Table 3.5
Year-wise Credit Per Branch of Commercial, Cooperative and Regional Rural Banks in Punjab

(Rs. Crore)				
Year	Per Branch Credit of Commercial Banks	Per Branch Credit of Cooperative Banks	Per Branch Credit of Regional Rural Banks	Coefficient of Concentration
1997-98	4.87	1.71	0.71	33.44
1998-99	5.73	2.41	0.79	30.77
1999-00	6.63	2.93	0.89	30.09
2000-01	7.90	3.39	1.09	30.47
2001-02	8.95	4.09	1.36	28.82
2002-03	10.04	4.71	1.72	27.63
2003-04	11.65	5.13	2.07	28.45
2004-05	14.29	5.44	2.61	22.88
2005-06	17.55	6.22	3.12	31.94
2006-07	21.82	7.11	3.98	32.97
2007-08	24.90	8.64	4.92	31.39
2008-09	27.06	9.14	5.74	31.18
2009-10	30.29	9.91	6.67	31.30
2010-11	34.31	10.66	8.06	31.90
2011-12	36.30	12.47	9.23	29.50
GR	16.29	13.62	21.48	

Note: Compiled on the basis of Table 3.1 and 3.5.

Note: Figures in bracket shows percentage.

It is observed from the table that Commercial Bank stands at the top with highest credit per branch (Rs. 4.87 crore) followed by Cooperative Banks, (Rs. 1.71 crore) and Regional Rural Bank (Rs. 0.71 crore) in 1997-98. The corresponding figures have increased to Rs. 36.30 crore for Commercial Banks, Rs.12.25 crore for Cooperative Banks and 9.23 crore for Regional Rural Banks in 2011-12. However, Regional Rural Banks have achieved the highest growth rate of credit per branch 21.48 percent followed by Commercial Banks (16.29 percent) and Cooperative Banks (13.62 percent) during the period under study. There has been a slight decrease in inter bank disparities with regard to credit mobilization in rural and semi-urban areas since the coefficient of concentration has declined from 33.44 percent

in 1997-98 to 29.50 percent in 2011-12. It means inter-bank disparities in credit per branch are reducing.

Credit Deposit (C/D) Ratio

Credit deposit ratio measures the performance of the bank in terms of credit disbursement against its deposit. Credit deposit ratio refers to the proportion of credit sanctioned by banks in a region to the deposits collected in that region. It explains the extent to which a region is benefited from bank credit out of its own deposits. High credit deposit ratio indicates high and liberal credit policy of the bank and low ratio indicates low credit disbursement. The year-wise C/D ratio in Commercial, Cooperative and Regional Rural Banks for the period 1997-98 to 2011-12 is presented in Table 3.6.

Table 3.6
Year-wise C/D Ratio of Commercial, Cooperative and Regional Rural Banks in Punjab
(Percent)

Year	Commercial Banks	Cooperative Banks	Regional Rural Banks
1997-98	39.77	70.95	45.80
1998-99	40.36	93.69	41.08
1999-00	39.95	92.86	37.51
2000-01	42.40	91.84	36.42
2001-02	42.47	98.42	38.29
2002-03	43.94	108.72	43.12
2003-04	46.92	113.65	45.99
2004-05	39.48	106.40	52.33
2005-06	62.13	107.23	54.24
2006-07	69.05	112.12	58.99
2007-08	71.77	122.41	62.31
2008-09	68.77	118.72	62.84
2009-10	74.76	106.69	62.37
2010-11	78.27	102.64	69.23
2011-12	81.96	107.68	74.49

Note: Calculated on the basis of Table 3.2 and 3.4

The table reveals that there has been significant change in C/D ratio for the Commercial Banks during the period under study. The ratio which has been just 39.77 percent in 1997-98 has increased to 81.96 percent in 2011-12. It indicates that the Commercial Banks deploy very high proportion (even more than half) of the resources mobilized for the development of the State. The C/D ratios for Cooperative and Regional Rural Banks though quite high, have also shown a considerable increasing trend over the period. It has increased from 70.95 percent to 107.68 for Cooperative Banks and from 45.80 percent to 74.49 percent for Regional Rural Bank during the same period.

The position of rural and semi-urban areas has improved, with the ratio increasing from 33.76 percent in 1997-98 to 60.55 percent in 2011-12 for Commercial Banks. The considerable increase in the ratio for rural and semi-urban areas is visible for Cooperative Banks and Regional Rural Banks as well,

with the ratio increasing from 76.20 percent in 1997-98 to 109.58 percent in 2011-12 and 45.99 percent in 1997-98 to 74.80 percent in 2011-12 respectively.

Priority Sector Lending

The concept of priority sector has evolved with the introduction of social control and subsequent nationalization of major Commercial Banks in 1969. The priority sector consists of rural dominated sectors like agriculture, small scale cottage industries, retail trade, and small business activities and weaker section. As per RBI norms, all the Commercial Banks have to disburse a minimum of 40 percent of their total loans to priority sector and Regional Rural Banks are required to disburse a minimum 60 percent of their total loans to priority sector. The position of priority sector advances by various banks is depicted in Table 3.7.

Table 3.7
Year-wise Priority Sector Advances of Commercial, Cooperative and Regional Rural Banks
 (Rs. Crore)

Year	Commercial Banks	Cooperative Banks	Regional Rural Banks	Total Priority Sector Advances
1997-98	5477.76 (50.45)a (83.43)b	959.29 (78.01)a (14.61)b	128.46 (89.44)a (1.96)b	6565.51 (53.68)a (100)b
1998-99	6634.28 (51.07)a (81.86)b	1332.63 (71.43)a (16.44)b	137.75 (86.53)a (1.70)b	8104.66 (53.97)a (100)b
1999-00	7864.53 (51.65)a (82.06)b	1572.73 (68.16)a (16.41)b	146.60 (80.74)a (1.53)b	9583.86 (54.10)a (100)b
2000-01	9367.88 (50.99)a (82.30)b	1835.24 (68.36)a (16.13)b	174.89 (79.10)a (1.54)b	11378.01 (53.47)a (100)b
2001-02	10424.57 (49.56)a (80.83)b	2256.29 (69.34)a (17.49)b	216.48 (78.65)a (1.68)b	12897.34 (52.51)a (100)b
2002-03	12951.93 (53.90)a (80.81)b	2798.69 (71.26)a (17.46)b	277.94 (79.24)a (1.73)b	16028.56 (56.62)a (100)b
2003-04	15777.95 (55.22)a (82.65)b	2964.75 (70.15)a (15.53)b	347.15 (81.23)a (1.82)b	19089.85 (57.45)a (100)b
2004-05	20224.98 (55.95)a (83.62)	3492.83 (79.24)a (14.44)	469.28 (85.52)a (1.94)	24187.09 (58.85)a (100)b
2005-06	23993.73 (53.74)a (83.53)b	4157.41 (83.70)a (14.47)b	572.47 (86.89)a (1.99)b	28723.61 (57.13)a (100)b
2006-07	30121.65 (51.36)a (83.83)b	5074.63 (89.24)a (14.12)	736.28 (87.74)a (2.05)	35932.56 (55.14)a (100)
2007-08	35734.49 (50.73)a (83.97)b	5893.47 (84.71)a (13.85)b	930.27 (86.27)a (2.19)b	42558.23 (54.24)a (100)b
2008-09	40372.70 (50.18)a (83.80)b	6630.53 (89.78)a (13.76)b	1173.99 (86.61)a (2.44)b	48177.22 (54.02)a (100)b
2009-10	48531.98 (50.25)a (84.85)b	7077.60 (88.52)a (12.37)b	1587.43 (98.79)a (2.78)b	57197.01 (53.87)a (100)b
2010-11	59784.35 (50.41)a (85.94)b	7891.50 (89.94)a (11.34)b	1886.48 (89.70)a (2.71)b	69562.33 (53.72)a (100)b
2011-12	67560.63 (48.45)a (85.92)b	8741.05 (85.18)a (11.12)b	2328.87 (88.85)a (2.96)b	78630.55 (51.62)a (100)b
GR	20.20	16.68	24.93	19.80

Note: The figure given in parentheses 'a' shows percentage of priority sector advances to total advances of respective banks in Punjab.

The figure given in parentheses 'b' shows percentage of priority sector advances of a particular bank to total priority sector advances by three types of banks in Punjab.

Source: SLBC Meeting Agenda Papers

Functional progress of regional rural banks in priority sector lending

The table reveals that total priority sectors lending by three banks taken together have increased from Rs. 6565.75 crore in 1997-98 to Rs.78630.55 crore in 2011-12 registering 19.80 percent growth. While the share of Commercial Banks and Regional Rural Banks in total priority sector lending in Punjab has increased from 83.43 percent to 85.92 percent and from 1.96 percent to 2.96 percent respectively from 1997-98 to 2011-12, the share of Cooperative Banks has declined from 14.61 percent to 11.12 percent. However, the highest share in the total priority sector lending is that of Commercial Banks during all years. It is very important to note that although the above said share of Regional Rural Banks is least out of the three banks, but the rate of growth of priority sector advances of Regional Rural Banks is the highest (24.93 percent), followed by Commercial Banks (20.20 percent).

Further, if one compares the priority sector advances to total advances of respective banks, an important observation is made. This particular share is highest in the case of

Regional Rural Banks. The share of priority sector advances to total advances of Commercial bank have fallen from 50.45 percent to 48.45 percent from 1997-98 to 2011-12, whereas it has increased from 78.01 percent to 85.18 percent in the case of Cooperative Banks. During the same period of Regional Rural Banks in Punjab, same share has been as high as 89.44 percent in 1997-98; it fell marginally to 88.85 percent in 2011-12. Thus in the area of priority sector lending, Regional Rural Banks in Punjab are doing very well.

Direct Agriculture Advances

Agriculture has been the major occupation for nearly 75 percent of the working population of our country. Banks in Punjab have played a significant role in agriculture finance. The year-wise progress of direct advances to agriculture Commercial, Cooperative and Regional Rural Banks in Punjab is presented in Table 3.8.

Table 3.8
Year wise Direct Agriculture Advances of Commercial, Cooperative and Regional rural Banks
(Rs. Crore)

Year	Commercial Banks	Cooperative Banks	Regional Rural Banks	Total Agriculture Advances in Punjab
1997-98	2205.96 (20.32)a (70.69)b	823.66 (66.98)a (26.40)b	90.88 (63.28)a (2.91)b	3120.50 (25.51)a (100)b
1998-99	2834.15 (21.82)a (69.48)b	1141.32 (61.18)a (27.97)b	103.69 (65.13)a (2.55)b	4079.99 (27.17)a (100)b
1999-00	3360.03 (22.07)a (70.87)b	1265.55 (54.85)a (26.69)b	115.42 (63.56)a (2.43)b	4741.00 (26.76)a (100)b
2000-01	4066.67 (22.13)a (72.10)b	1431.62 (53.33)a (25.38)b	142.07 (64.26)a (2.52)b	5640.36 (26.51)a (100)b
2001-02	4676.87 (22.24)a (71.15)b	1711.73 (52.61)a (26.04)b	184.71 (67.11)a (2.81)b	6573.31 (26.76)a (100)b
2002-03	5911.69 (24.60)a (71.19)b	2150.64 (54.76)a (25.90)b	241.55 (68.87)a (2.91)b	8303.88 (29.34)a (100)b
2003-04	6775.87 (23.71)a (72.77)b	2225.01 (52.64)a (23.90)b	310.63 (72.68)a (3.34)b	9311.51 (28.02)a (100)b
2004-05	8277.94 (22.90)a (73.38)b	2586.86 (58.69)a (22.94)b	414.61 (75.56)a (3.68)b	11280.23 (27.44)a (100)b
2005-06	11082.08 (24.82)a (75.44)b	3096.79 (62.35)a (21.08)b	511.74 (77.68)a (3.48)b	14690.61 (29.22)a (100)b

2006-07	13460.49 (22.95)a (76.42)b	3493.84 (61.44)a (19.83)b	660.35 (78.69)a (3.75)b	17615.52 (27.03)a (100)b
2007-08	16607.68 (23.58)a (74.68)b	4798.86 (68.97)a (21.58)b	832.84 (77.23)a (3.74)b	22239.38 (28.34)a (100)b
2008-09	18723.72 (23.27)a (74.15)b	5469.07 (74.06)a (21.66)b	1056.75 (77.96)a (4.19)b	25250.51 (28.31)a (100)b
2009-10	23810.93 (24.65)a (77.29)b	5583.54 (69.84)a (18.12)b	1414.17 (88.01)a (4.59)b	30808.64 (29.01)a (100)b
2010-11	30310.32 (25.56)a (80.83)b	5530.62 (63.03)a (14.75)b	1656.66 (78.77)a (4.42)b	37497.60 (28.96)a (100)b
2011-12	27595.69 (19.79)a (78.62)b	5478.40 (53.38)a (15.61)b	2027.55 (77.35)a (5.78)b	35101.64 (23.04)a (100)b
GR	21.16	15.32	26.56	20.07

Note: The figure given in parentheses ‘a’ shows percentage of direct agriculture advances to total advances of respective banks in Punjab.

The figure given in parentheses ‘b’ shows percentage of direct agriculture advances of a particular bank to total agriculture advances by three banks in Punjab.

Source: SLBC Meeting Agenda Papers

It is clear from the table that growth rate of aggregate direct agriculture advances of three banks has been 20.07 percent during the period under study. It is heartening to note that in the case Regional Rural Banks in Punjab, the same figure is as high as 26.56 percent. Regional Rural Banks are followed by Commercial Banks (21.16 percent) and Cooperative Banks (15.32 percent). Similarly, while the shares of Commercial Banks and Regional Rural Banks in total direct agricultural advances by three banks taken together have increased from 70.69 percent to 78.62 percent and 2.91 percent to 5.78 percent respectively, the same share has fallen in the case of Cooperative Banks (from 26.40 percent to 15.61 percent) from 1997-98 to 2011-12.

The analysis of percentage share of direct agricultural advances to total advances of Commercial Banks it is as low as 20.32 percent in 1997-98. The same figures for

Cooperative Banks and Regional Rural Banks are 66.98 and 63.28 percent respectively. In the case of Commercial Banks, the above said share has fallen marginally from 20.32 to 19.79 percent while for Regional Rural Banks, it has increased from 63.28 percent to 77.35 percent from 1997-98 to 2011-12. It is surprising to note that there is a big fall in the share of direct agricultural advances to total advances of Cooperative Banks i.e. from 66.98 percent to 53.38 percent during the same period. Thus one can interpret that in the area of agricultural advances, Regional Rural Banks performance is satisfactory in Punjab.

Advances to Small Scale Industries

Table 3.9 reveals the comparative analysis of advances to small scale industries granted by Commercial, Cooperative and Regional Rural Banks in Punjab.

Functional progress of regional rural banks in priority sector lending

Table 3.9

Year wise SSI Advances of Commercial, Cooperative and Regional Rural Banks in Punjab

(Rs. Crore)

Year	Commercial Banks	Cooperative Banks	Regional Rural Banks	Total Advances to SSI in Punjab
1997-98	2573.67 (23.70)a (99.33)b	7.50 (0.61)a (0.39)b	9.92 (6.91)a (0.38)b	2591.09 (21.18)a (100)b
1998-99	2943.75 (22.66)a (99.36)b	10.21 (0.55)a (0.34)b	8.76 (5.50)a (0.30)b	2962.72 (19.73)a (100)b
1999-00	3197.83 (21.00)a (99.31)b	12.43 (0.54)a (0.39)b	9.73 (5.36)a (0.30)b	3219.99 (18.17)a (100)b
2000-01	3549.22 (19.32)a (98.42)b	45.56 (1.70)a (1.26)b	11.31 (5.12)a (0.31)b	3606.09 (16.95)a (100)b
2001-02	3742.82 (17.79)a (98.60)b	42.08 (1.29)a (1.11)b	11.19 (4.07)a (0.29)b	3796.09 (15.45)a (100)b
2002-03	4028.80 (16.77)a (99.04)b	27.28 (0.69)a (0.67)b	11.72 (3.34)a (0.29)b	4067.80 (14.37)a (100)b
2003-04	4503.64 (15.76)a (98.05)b	77.97 (1.84)a (1.70)b	11.69 (2.74)a (0.25)b	4593.30 (13.82)a (100)b
2004-05	5136.92 (14.21)a (98.22)b	82.20 (1.86)a (1.57)b	10.68 (1.95)a (0.20)b	5229.80 (12.72)a (100)b
2005-06	5939.54 (13.30)a (98.20)b	101.36 (2.04)a (1.68)b	7.25 (1.10)a (0.12)b	6048.15 (12.03)a (100)b
2006-07	7755.37 (13.22)a (98.86)b	79.54 (1.40)a (1.01)b	10.04 (1.20)a (0.13)b	7844.95 (12.04)a (100)b
2007-08	10235.77 (14.53)a (98.92)b	98.70 (1.42)a (0.95)b	13.35 (1.24)a (0.13)b	10347.82 (13.19)a (100)b
2008-09	12980.03 (16.13)a (99.02)b	108.09 (1.46)a (0.82)b	20.00 (1.48)a (0.15)b	13108.12 (14.70)a (100)b
2009-10	17461.29 (18.08)a (98.88)b	149.83 (1.87)a (0.85)b	48.38 (3.01)a (0.27)b	17659.50 (16.63)a (100)b
2010-11	21952.76 (18.51)a (98.40)b	308.03 (3.51)a (1.38)b	49.14 (2.33)a (0.22)b	22309.93 (17.23)a (100)b
2011-12	28763.94 (20.63)a (99.76)b	56.72 (0.55)a (0.20)b	13.01 (0.49)a (0.05)b	28833.67 (18.93)a (100)b
GR	18.37	21.91	8.28	18.38

Note: The figure given in parentheses 'a' shows percentage of SSI advances to total advances of respective banks in Punjab. The figure given in parentheses 'b' shows percentage of SSI advances of a particular bank to total SSI advances by three types of banks in Punjab.

Source: SLBC Meeting Agenda Papers

Table 3.9 presents the comparative analysis of advances to small scale industries by three banks in Punjab. A close look at the table indicates that lending of Regional Rural Banks to small scale industries is not favorable. The rate of growth of total advances to small scale industries over the period under study has been 18.38; whereas the same figure for Regional Rural Banks is only 8.28 percent. The highest rate of growth of advances to SSI has been in the case Cooperative Banks (21.91 percent), followed by Commercial Banks (18.37 percent) in Punjab. The share of Commercial Banks in total SSI advances in Punjab has been 99.33 percent in 1997-98 and it increased to 99.76 percent in 2011-12. Whereas the same share of Regional Rural Banks has fallen from 0.38 percent to .05 percent during the period under study.

Similarly in the percentage share of advances to small scale industries to the total advances by Regional Rural Banks in Punjab has fallen from 6.91 percent to .49 percent from 1997-98 to 2011-12. The same share of Cooperative and Commercial Banks have also decreased from 0.61 percent to 0.55 percent and 23.07 percent to 20.63 percent respectively from 1997-98 to 2011-12. Thus one can interpret that Commercial, Cooperative and Regional Rural Banks in Punjab are not very generous so far as the lending to SSI is concerned.

FINDINGS AND CONCLUSION

1. The above analysis leads us to conclusion that Regional Rural Banks in Punjab entered late on the banking scene, but they have been able to achieve highest growth in deposit mobilization and credit deployment. Deposits of Regional Rural Banks in Punjab have registered the highest rate of growth 18.16 percent, which is higher than the growth rate of deposits of Commercial Banks (13.42 percent) and Cooperative Banks (12.00 percent) during the period under study.
2. The RRBs in Punjab have shown a considerable success in the growth of advances. Total advances of RRBs in Punjab have increased with the growth rate of 24.00 percent, which is highest among all banks. The growth rate of advances has been more than the growth rate of deposits during the period under study.
3. In spite of the fact that deposit per branch and credit per branch have been at minimum level for Regional Rural Banks compared with other banks throughout the period of study, the growth rate for deposit per branch and credit per branch has been highest for them.
4. The credit deposit ratio has been spectacularly high for Cooperative Banks signifying that their advances are more than deposits, the reason being they get refinance facility from NABARD for their excessive requirement. Over the period of study, Regional Rural Banks performance in terms of Credit deposit ratio has improved.
5. Although the performance of Regional Rural Banks regarding advances to priority sector and direct agriculture. Total priority sector lending by three banks

taken together has registered 19.80 percent rate of growth. The highest share in total priority sector lending is that of Commercial Banks, during all the years. But, the rate of growth of priority sector advances of Regional Rural Banks is the highest (24.93 percent), followed by Commercial Banks (20.20 percent). On comparing the priority sector advances to total advances of respective banks, this particular share is higher in the case of Regional Rural Banks and Cooperative Banks.

6. The growth rate of aggregate agriculture advances of three banks has been 20.07 percent during the period of study. In the case of Regional Rural Banks in Punjab the same figure is as high as 26.56 percent, followed by Commercial Banks (21.16 percent) and Cooperative Banks (15.32 percent). On comparing the direct agriculture advances to total advances of respective banks, this particular share is higher in the case of Regional Rural Banks and Cooperative Banks.
7. Throughout the period of study, more than 95 percent of SSI advances in Punjab are being provided by Commercial Banks. The share of RRBs and Cooperative Banks in total advances to SSI in Punjab has been very low. The performance of Regional Rural Banks with regard SSI advances has been far from satisfactory.

RECOMMENDATIONS

1. All Regional Rural Banks in Punjab should be merged to form one Regional Rural Bank at state level. This will increase the domain of these banks and they will be able to compete with other banks (Commercial Banks and Cooperatives).
2. More autonomy in decision making should be provided to these banks, they should be allowed to work independently. It is notable that at present these banks are jointly owned by Central Government, State Government and Sponsor Bank.
3. Regional Rural Banks should set up its own training centers to impart technical knowledge about agriculture, understanding of rural credit and rural environment to its staff. It is worth noting that, at present such training program are either organized by the sponsor bank or by NABARD.
4. As most of the RRBs are set up in rural and semi-urban areas, these banks should recruit only those persons, who are capable to do work in rural environment.
5. Commercial Banks should not be allowed to set up their branches in rural area. RBI and sponsor banks should transfer the business of rural branches of commercial banks to RRBs, as a result their business will increase.
6. Marketing team of RRBs should emphasize on getting business from industrial units operating in their domain, this will generate more income for them.

CONCLUSION

From the above discussion, it can be concluded that the efforts made by Regional Rural Banks in deposit mobilization, credit deployment, priority sector lending are appreciable. These banks have taken the banking services to the doorsteps of rural

masses. Regional Rural Banks are meeting their national targets as set by the Reserve Bank of India for priority sector lending and direct agriculture advances.

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