

A Study on Effectiveness of Regional Rural Banking System in Costal Karnataka

ADITYA DEV V, MUKUNDAKRISHNA N

M.com, Dept of studies in commerce mangalore university, Mangalagothi, Karnataka, India.

adityadevadithyadev@gmail.com

M.com, Dept of studies in commerce mangalore university, Mangalagothi, Karnataka, India.

ABSTRACT - From four decades rural banking have been in existence in the Indian financial scene. But the effectiveness is not yet fully achieved. So, the present study was undertaken to investigate the effectiveness of top rural banking chain of south costal district of Karnataka which were the set ups under RBI Act in 1976, which was started with the purpose of financial inclusion of those people who were deprived of banking system. The paper gives an idea with regard to the readiness of people for electronic transaction means in the regional banking system and analyse the mobility of these banks in catering the semi urban and urban places especially in the coastal region. The study is focused on the challenges faced by RRB's in meeting the demands of people and determine how far the objective has been achieved and how much yet to meet. We have collected a primary information of leading RRB's of the coastal region. The paper argues that the rural banks are lagging behind in promoting electronic transaction means and rural banking system is not able to cater more of the rural and semi- urban areas.

Keywords- RBI, RRB, Electronic commerce, Financial inclusion.

I. INTRODUCTION

Banking in India originated first in 18th century by name General Bank of India coming into existence in 1876. At the beginning of 20th century, Indian economy was passing through a relative period of stability. At that time there were very small banks operated by Indian and most of them were owned and operated by particular communities.

Government took major step in Indian Banking sector reforms after independence. In 1969 nationalisation was carried out the nationalisation of commercial banks was expected that their banks open their branches in rural areas to disburse loans to rural masses. But it didn't happen, the people of rural masses were continued to be neglected. As the result it was said that Indian banking system was three leg chair. The rural banking has a very important as around 70% of population of India live in rural area.

RRB as the new key player came into by in 1975 under RBI Act in order to meet the credit requirement of poor, which were neglected by co-operative and commercial bank. The RRB combine the feature and both co-operative and commercial banks. Rural banking institution providing financing at root level, commercial banks co-operatives and Regional Rural Banks (RRB).

Regional Rural banks are scheduled commercial banks (Government Banks) operating at regional level in different states of India. RRBs were established under the provision of an ordinance passed in September 1975 with forming 5

first RRBs in India on 2nd October. RRBs Act 1976, to provide sufficient banking and credit facility for agriculture and other rural sectors and also, their area of operation may include urban area too. These banks were established on the recommendation of Narshimham Committee on Rural credit. The area of operation is limited to the area notified by Government of India covering one or more district in the state. It is held by Central government, State government and any sponsor bank with share ratio of 50%, 15% and 35% respectively.

II. OBJECTIVES OF THE STUDY

- To get an idea about how RRBs are spread (geographically) in the south costal part of Karnataka.
- To know the present situation some of RRBs and to analyze their condition.
- To know the awareness of people towards e-commerce having their account in Rural Banks.
- To analyze why the financial inclusion is not yet achieved to full extent.
- To know how far the objective of rural banking has been achieved.
- To know why there is an imbalance in the growth of rural areas.

III. LITERATURE REVIEW

1. Dr. Y.G. Baligatti (2016) his study reveals that RRBs have taken initiation to expand their bank network and

extending their area of operations, it is witnessed that, though the RRBs are successful in providing banking services to unbanked area, there is an imbalance growth of RRBs where prominent backward area has been neglected in providing bank credit.

- Dr. Jasmindeep Kaur and Silony(2011) observed that priority sector advances and agricultural advance of private and public sector bank have improved manifold but they are still lagging behind to achieve the target set by RBI in agriculture sector. They concluded that the performance of private sector banks in respect of all the parameters was better than that of public sector banks in priority sectors lending. Syed Ibrahim (2012) proved that RRBs are sanctioning loan to more priority sector rather than non-priority sector.

Karnataka Vikas Grameena Bank :

The Karnataka Vikas Grameena Bank is the one of the most leading Regional Rural Bank in Karnataka. It has emerged the amalgamation of the four years while Grameena bank with its area of operation spread over 9 districts now eaters to 1/3rd of the geographical area of the state and thereby has earned the opportunity of servicing a larger section of the rural population. The govt has decide to restructure 49 RRBs. The committee for reconstructed consisted of representative of RBI and the NABARD and the chairman of four public sector bank. The 2005-06 is memorable due to historic event of amalgamation year while 4 regional rural banks sponsored by Syndicate Bank in the state of Karnataka, viz , Malaprabha Grameena Bank and Bijapur Grameena Bank (started in the year 1976), Varada Grameena Bank and Netravathi Grameena Bank (started in the year 1985) which wore working under nine districts amalgamated by a Govt. of India notification dated 12th Sep 2005, to form the Karnataka Vikas Grameena Bank. Thus the new bank now operates in nine districts of the state viz . D.K, Udupi, Uttarakarnataka, Haveri, Gadaga, Dharavada, Belgaum, Bagalkote and Bijapur. The new bank started with the organisational setup consists of a three tier system with the Head Office being at Dharwad, nine regional office at Bagalkot, Belgaum, Bijapur, Chikodi, Dharwad, Gadag, Haveri, Kumta and Mangalore. Moving forward, the Karnataka Vikas Grameena bank has 636 branches 65lakh customer and it has 85 plus ATM centers.

IV. RESEARCH METHODOLOGY

Here we have used survey method for collecting data. Totally 28 branches of Karnataka vikasa Grameena bank are located in Dakshina kannada district. First we have collected information about their location. and out of which the data was collected from two leading branches of the same regarding the e-commerce awareness among the account holders. We also collected regarding how many braches have MIRC.

V. RESULTS AND DISCUSSION

Dispersion of Regional Rural Bank

The RRBs which were mainly formulated focusing mainly on the rural and semi-urban areas and to cater these people who are neglected and financially excluded. So the RRBs had a prior responsibility of catering people of rural areas. In Dakshina Kannnda we collected the information about the locations were RRBs branches were located. Then on the basis of present situation of that area we have divided those places into Urban, Rural and Semi-urban places and found the result. We found 28 branches of Karnataka Grameena Vikasa bank branches in dakshina kannnda district. And the braches of KVG RRB are given below in the table based on which we will be able to take a note on how the dispersion of RRBs are in the district of dakshina kannada.

SL. No.	Location	SL. No.	Location
1.	ALADANGADY	15.	KRISHNAPURA
2.	ARASINAMAKKI	16.	LADYHILL
3.	B.C. ROAD	17.	MOODABIDRI
4.	BELLARE	18.	PUTTUR
5.	BELVAI	19.	SIDDAKATTE
6.	BUNDER	20.	SUBRAMANYA
7.	FARANGIPET	21.	SULLIA
8.	KABAKA	22.	SURTHKAL
9.	KALLADKA	23.	TALAPADY
10.	KAIKAMBA	24.	UJRE
11.	KANIYOOR	25.	UPPINAGADY
12.	KARANGALAPADY	26.	VENUR
13.	KATEEL	27.	VITTAL
14.	KAVOOR	28.	Z.P. EXT MANGALORE

TABLE 1.0

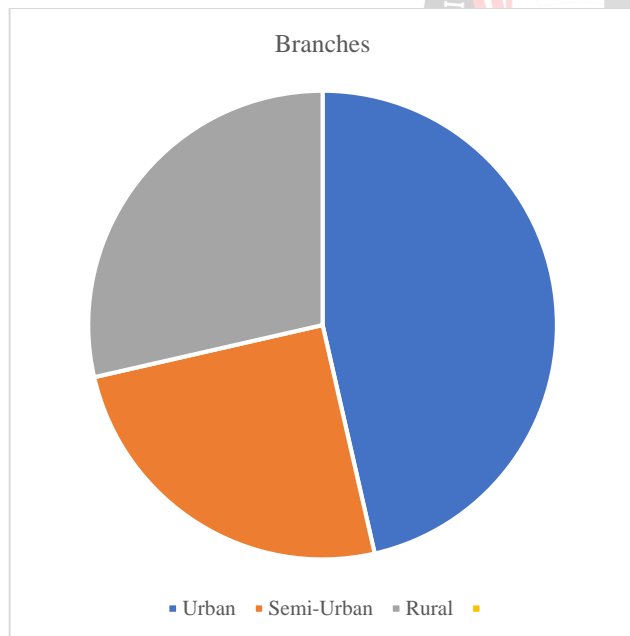
The table shows where the RRBs of Karnataka Grameena Vikasa bank are located in the Dakshina Kannada district. As we know that the main aim of the RRB system is to provide banking facility in rural and semi-urban area, but more number of RRBs are located in those place of dakshina kannada where you can call them as urban places because of the development at present. A fair look at the places at which RRBs are located will tell that most of RRBs are also situated where the Public sector and Private sector

bank had rooted strongly and the financial inclusion is at its best. The places like Karangalapady, Kavoor, Ladyhill, Puttur, Moodabidri etc which are situated in the heart of the town and doesn't lag behind in terms of financial inclusion. And if we take in Mangalore city alone in the radius of 5-7km 5 branches of RRBs are located in the city. Though there is a provision that even RRBs can operate in urban places too, but here in this case this looks too high. The locality like Mangalore where there is almost every kind of banks are being located and most of the people are been financially included the place is also called to be Urban and it has large number of branches over there is a point to think.

The RRBs are even located in the places like Arasinamakki, Bellare, Venur, Belavi etc which are still rural places and even there are places of these kind where still RRB system is yet to keep its footprint. . If the RRBs are located in those places it will really no help the needy people of the rural areas who are deprived from financial inclusion. The people of Urban areas will not be attracted to the RRBs as they don't belong to the rural areas, though there is no any such restriction such that only rural or semi-urban people should be the customers of RRBs but there will be some hurdle that will make them not to choose RRBs. If we look at the statistics of dispersion of RRBs in DK in terms of Rural, Urban and Semi-urban area we will be able to get a clear-cut idea about it.

Chart 1.0

Portion wise analysis of RRBs located in DK district



From the above chart it is clear that nearly half of the RRBs are located in those area which are urban and RRBs of DK district has given very less importance to those areas which are rural. Because out of 28 RRBs present only 8 are located which are rural area. 7 are located in semi-urban areas, whereas a prominent portion are located in urban areas which count to be 13 in number.

If we come to the accessibility of ATM are concerned with the savings bank holders of RRB we have collected the information from two branches and the results are given below

Table 2.0

No of Savings bank account holders and holders having other facilities

No. of account holders	No of debit card holders	No of customers having e-commerce facility
5875	1272	243

Table 2.1

No of Savings bank account holders and holders having other facilities

No of account holder's in	No of debit card holders	No of customers using availing e-commerce
2215	958	250

The above table shows that the awareness of digital transactions in the minds of account holder is very less as we can see only 21.65% (in table 3.0) and only 43.25% (table 3.1) have availed for digital transaction, that is for ATM facility. We have showed this because the performance of this is very poor if we compare this against the public sector banks total number of SB A/C holders availing ATM facility. In India the as per the survey of 2015 there were 1170 million SB accounts and out of which 880 million had availed for ATM facility which in percentage forms about 75%.

We find the reason why there is less number of customers prevailing ATM facility. The simple reason is that there is no ATM facility of RRB of its own. Though there are 85 plus ATM facility in RRBs the Dakshina Kannada has not even got a single ATM facility of RRB.

But it is appreciable that there are good number of customers of RRB of Dakshina kannada interested in electronic means like mobile banking and net banking.

We also found that out 28 branches here three are still to get MIRC code for the branch which is very essential for the fast collection of cheque

VI. FINDINGS OF PAPER

1. Improper distribution of RRBs, nearly half of RRBs are situated in more area which are called as urban. About 46% are located in urban areas against 28% which are located in rural area
2. The number of Savings Bank account debit card facilities is less when compared to the commercial banks.
3. The response for e-banking is good.
4. No ATM facility available in Dakshina Kannada district.

5. Karnataka Grameena Vikasa Bank is only the RRB in DK district no other bank branch is in Dakshina Kannada.
6. Still not all the branches are having their MIRC code

Area of improvement

1. There is a need to concentrate more on those rural areas which are still prevailing in Dakshina Kannada district where there is high need to open branches
2. There should be proper distribution of rural banks in dakshina kannada as there are mostly situated in urban area
3. In Dakshina kannada there are no ATM of RRB and thus the account holders are hesitant to opt ATM facility of RRBs so there is quick need for ATM facility.
4. Because of lack of promotional activity there is an inferior feeling in the minds of the people regarding the RRBs, so good promotion is still in need
5. Some of the branches are yet to get MICR number which will definitely make delay in cheque payments

VII. CONCLUSION

It can be concluded that rural banking system which is the key player of financial inclusion can only be success if there is a proper distribution of branches in rural places and for purpose of effectiveness of digital transaction, there is a need for promotion of these facilities among the customers.

REFERENCE

- [1] Agarwal, B.P. 1982. Commercial Banks in India, Classical Publishing Company, New Delhi.
2. Agarwal, R.K.1991.Evaluation of Working of Regional Rural Banks, Mittal Publications, New Delhi.
3. Ahmed, R.1998. Rural Banking and Economic Development, Mittal Publications, New Delhi.
- [2] NAABARD [National Bank for Agriculture and Rural Development], 2000. "Task Force on Supportive Policy and Regulatory framework for Micro Finance in India, summary and Recommendations'. www.nabard.org/what/what.htm
- [3] www.kvg.com
- [4] www.shodhganga.com