

CHAPTER-II

GENESIS AND GROWTH OF REGIONAL RURAL BANKS IN WEST BENGAL

2.1. Introduction

Like all other third world countries India has been facing the problem of chronic poverty since its inception. Even at the beginning of the twenty-first century a considerable percentage of people remains poor. According to the NSSO Report, during 1999-2000, the percentage of people below the poverty line was 26.10% in India. The above scenario is also present in the state of West Bengal. Above 70% of total population of the state lives in rural areas and a major part of the rural people have been facing the financial problem in conducting their vocation due to low level of income.

A poor man without access to income generating assets remains poor despite very hard labour. Unfortunately, the poor segment do not have any income generating resources in their own possession or they do not have any access to bank credit from the traditional financial institutions as they could not provide collateral securities. Consequently, they have been borrowing for ages from the moneylenders at an exorbitant rate of interest (which ranges from 200 to 500 percent per annum). But institutional credit is a basic human right like others and the landless poor should have access to the same. So, in 1975, Regional Rural Banks were established as a new set of commercial bank sponsored, regionally based, rural oriented and low cost banks having the feel and familiarity of the local problems and the commercial business acumen for providing credit in the rural areas and mobilize rural savings.

2.2 A Profile of the State of West Bengal

When India became independent in 1947, 'Bengal' was partitioned between India and Pakistan. While Pakistan's share came to be called East Pakistan (now Bangladesh), India's share was called West Bengal. The State of West Bengal covers the bottleneck of India in the East stretching from the Himalayas in the North to the Bay of Bengal in the South. It is bounded on the North by Sikkim and Bhutan, on the East by Assam and Bangladesh, on the South by the Bay of Bengal and on

the West by Orissa, Jharkhand, Bihar and Nepal. The total area of the State is 88,751 sq.km. In terms of area West Bengal's position is 12th in India.

As per the 2001 census, the total population of the State is 8,02,21,171, out of which the number of male and female are 4,14,87,694 and 3,87,33,477 respectively. The decadal growth rate of population is 17.84 (1991-2001) percent and the density of population (persons per sq.km) is 904. Regarding total population, West Bengal is the fourth State in India,¹ (excluding Union Territories). Sex ratio (females per 1000 males) is 934. Out of total population about 70 percent live in rural area and the total number and percentage of the schedule caste population are about 1.90 crore and 23.62 percent respectively. Literacy rate of the State is 69.22 percent, for male it is 77.58 percent and for female it is 60.22 percent.

Agriculture is the prime source of income of the rural people of the State. Seventy percent of total population of West Bengal are engaged in agriculture and it contributes over 30 percent of the State's income. Out of the total area of the State, 62.91 percent is used for crop production, out of which 13.72 percent is forest. The State produces 15.3 percent of the country's total output of rice. The area under rice cultivation in 1993-1994 was 58.75 lakh hectares (Economic Review, Govt. of West Bengal, 1995-96). The State accounted 66.5 percent and 22.2 percent of the country's jute (including mesta) and tea respectively during that time. The other major crops of the State are potatoes, oilseed, tobacco, wheat, sugarcane, etc.

One of the major industrial states in India, West Bengal had 10,236 registered and functioning factories in 1995. While the number of registered small-scale industrial units upto March, 1995 was 4,53,831 (Economic Review, Govt. of West Bengal, 1995-96). Major industries include engineering, automobiles, chemicals, pharmaceuticals, aluminium, ceramics, jute, cotton textiles, tea, paper, leather, footwear, bonemal, bicycle, dairy, poultry and timber-processing. Central Public Sector undertakings include locomotive, cable, fertilizer, ship-building and ordnance. The State undertakings include tea, sugar, chemicals, phytochemicals, agro-textile, sugarbeet, fruit and vegetable processing, electromedical and other allied industries (including mineral development). Coal and China clay are two important minerals being exploited.

The legislature is unicameral – the Legislative Assembly. The State is divided in 19 districts.² The three-tiered Panchayat System is with 3360 Gram Panchayat at

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base, 341 Panchayat Samitties at the Community block (intermediate) level and 18 Zilla (District) Parishad at the apex. The number of seats, in these three systems are 51201, 8576 and 724 respectively. West Bengal is the first State where 30 percent reservation of seats for woman in the elected bodies was implemented. The Panchayat acts as the agency for implementing development programmes. The State has 357 Colleges and 10 Universities for higher education. At the end of March of 2001, as regards the financial institution, the Schedule commercial Banks had 4424 number of branches and the total number of cooperatives was 7138 and the number of population per branch office of Scheduled Commercial Banks was 18 thousands.

Table 2.1 : West Bengal at a Glance , 2001.

1. Total Geographical area	-	88751 sq.km.
2. Total number of Districts	-	19
3. Total Population	-	80221171
4. Percentage of Rural Population	-	71.97%
5. Percentage of Urban Population	-	28.03%
6. Growth of Population (1991-2001)	-	17.84%
7. Density of Population (sq.km.)	-	904
8. Sex Ratio (females per 1000 males)	-	934
9. Literacy Rate	-	69.22%
10. No. of Universities	-	10
11. No. of RRBs	-	9
12. Total no. of Scheduled Commercial Bank Branches -	-	4424
13. Population per Bank Branch	-	18000
14. No. of Registered Factories	-	12308
15. No. of Hospital	-	416
16. Percentage of Cultivable Area to total area	-	66.48%
17. Percentage of Forest Area to total area	-	17.70%
18. Total Road length	-	76040 km.

Source : Compiled from Economic Review (2001-2002), Statistical Appendix, Govt. of West Bengal.

Table 2.2 : Districts (Area, Population, Head Quarters) in the State of West Bengal.

Sl.No.	District's Name	Area (sq.kms)	Population (2001)	Head Quarter
1.	Burdwan	7024.0	6919698	Burdwan
2.	Birbhum	4545.0	3012546	Suri
3.	Bankura	6882.0	3191822	Bankura
4.	Midnapore (E) *			Tomluk
		14081.0	9638473	
5.	Midnapore (W)			Midnapore
6.	Howrah	3467.0	5040047	Howrah
7.	Hooghly	3149.0	5040047	Chinsurah
8.	24-Parganas(N)	4094.0	8930295	Alipore
9.	24 Parganas(S)	9960.0	6909015	Barasat
10.	Kolkata	104.9	4580544	Kolkata
11.	Nadia	3927.0	4603756	Krishnanagar
12.	Murshidabad	5324.0	5863717	Berhampore
13.	Uttar Dinajpur	3180.0	2441824	Raiganj
14.	Dakshin Dinajpur	2183.0	1502647	Balurghat
15.	Malda	3733.0	3290160	Malda
16.	Jalpaiguri	6227.0	3403204	Jalpaiguri
17.	Cooch Behar	3387.0	2478280	Cooch Behar
18.	Darjeeling	3075.0	1605900	Darjeeling
19.	Purulia	6259.0	2535233	Purulia
	West Bengal	88751.0	80221171	Kolkata

Source : Economic Review : Statistical Appendix , (2001-02), Govt. of West Bengal.

Note : * As on 1st January 2002, Midnapore District was divided into two districts, Midnapore (East) and Midnapore (West), but data are not available separately.

2.3 Background and Expansion of RRBs in West Bengal

In developing country, like India rural development is the most important concern of the national economy. From the time of independence of our country, a number of plans and programmes have been adopted and implemented by the

Central and State Governments for improving the standard of living of rural community. Among these, the schemes of bank nationalization, creation of lead bank and new licensing policy are the corner stone for availability of bank finance to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs in rural areas. Implementation of these plans and programmes are also important to fulfill the basic need of the rural people through their involvement in various economic activities of rural development scheme. But inspite of all these efforts, the expected benefit from the Scheduled Commercial Banks, have not trickled down to the majority in rural areas and ultimately this state of affairs lead the Central Bank Schemes by promulgating an ordinance of the Government of India on 26th September 1975. As a result, initially, five Regional Rural Banks (RRBs) were set up on October 2, 1975³ which followed the recommendations made by the working group constituted by the Government of India on 1st July 1975. To study, in depth, the problem of devising alternative agencies to provide institutional credit to rural people in the context of steps initiated under the 20 points Economic Programme. As on 2nd October 1975, out of first five RRBs in the country one was at Malda in West Bengal under the name of Gour Gramin Bank which was the 1st RRB in Eastern Region of India and covered three districts of the State of West Bengal. Then, in 1976, Mallabhum Gramin Bank and Mayurakshi Gramin Bank were established and in next year another RRB, Uttar Banga Kshetriya Gramin Bank was

Table 2.3 : RRBs in the State of West Bengal (as on 31 March, 2001).

SI.No.	Name of RRBs	Date of Establishment	Name of Sponsor Banks	Head Office
1.	Gour Gramin Bank (GGB)	2 nd Oct, 1975	United Bank of India	Malda
2.	Mallabhum Gramin Bank(Mal GB)	9 th April, 1976	United Bank of India	Bankura
3.	Mayurakshi Gramin Bank (Mayu.GB)	16 th Aug. 1976	The United Commercial Bank	Suri
4.	Uttar Banga Kshetriya Gramin Bank (UBKGB)	7 th March, 1977	Central Bank of India	Cooch Behar
5.	Nadia Gramin Bank (NGB)	27 th Aug, 1980	United Bank of India	Krishnanagar
6.	Sagar Gramin Bank (SGB)	24 th Sept, 1980	United Bank of India	Ulto Danga
7.	Bardhaman Gramin Bank(BGB)	24 th Nov, 1980	The United Comm.Bank	Bardhaman
8.	Howrah Gramin Bank (HGB)	12 th June, 1980	The United Comm. Bank	Howrah
9.	Murshidabad Gramin Bank(MGB)	17 th Nov, 1984	United Bank of India	Berhampore

Source : Key Statistics on RRB (various issues) NABARD and Annual Reports of RRBs.

established, they covered seven districts of the state, four districts of South Bengal and three districts of North Bengal (the State of West Bengal Geographically is

Table 2.4 : Branches and Covered Districts of RRBs (as on 31 March, 2001)

Sl.No.	Name of RRBs	Number of covered districts	Name of covered districts	Total no. of Branches
1.	GGB	4	(i) Malda (59) (ii) Murshidabad (26) (iii) North Dinajpur (35) (iv) South Dinajpur (28)	148
2.	Mal. GB	4	(i) Midnapore (w)* (78) (ii) Midnapore (E) (iii) Bankura (64) (iv) Purulia (29)	176
3.	Mayu.GB	1	Birbhum (65)	65
4.	UBKGB	3	(i) Darjeeling (28) (ii) Jalpaiguri (39) (iii) Cooch Behar (46)	113
5.	NGB	1	Nadia (65)	65
6.	SGB	2	(i) North 24 Parganas (65) (ii) South 24 Parganas (50)	115
7.	BGB	2	(i) Bardhaman (71) (ii) Hooghly (partly) (19)	90
8.	HGB	2	(i) Howrah (43) (ii) Hooghly (16)	59
9.	MGB	1	Murshidabad (40)	40

Source : Key Statistics on RRBs, NABARD and various Annual Reports

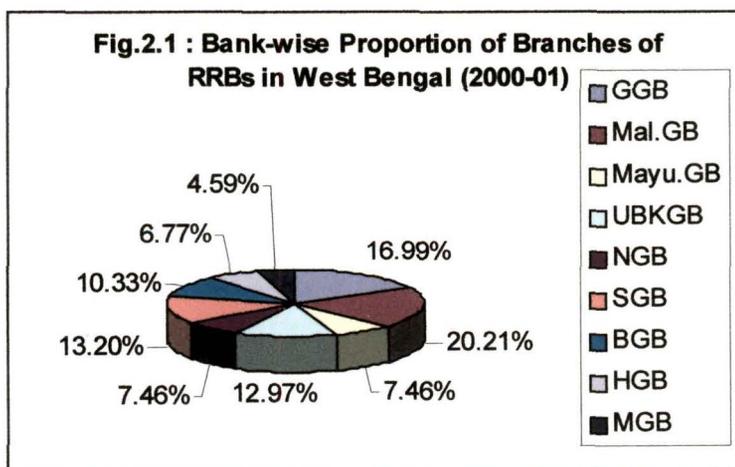


Table 2.5 : Some Parameters of RRBs in the State of West Bengal (as on 31 March, 2001)

(Rs. in lakhs)															
Sl.No.	Name of RRBs	No. of Branches	Owned funds	Deposits	Borrowings	Investment	Loans outstanding	Loans issued	Acc. Loss	Profit or loss*	CD ratio	NPA%	Recovery % (June 2002)	Productivity for Employee	Productivity per Br.
1	GGB	143	100	42007	2683	18033	16514	8088	9223	110	39	30	45	65	395
2	Mal.GB	176	5820	60532	1448	16104	20219	8822	5715	250	33	26	49	69	459
3	Mayu.GB	65	1682	22861	876	15404	8736	4894	4123	155	38	15	50	68	486
4	UBKGB	113	1092	33550	839	14303	13712	6283	5385	70	41	28	51	63	418
5	NGB	65	1962	17746	1622	14857	4944	1135	1585	184	28	42	47	72	349
6	SGB	115	2412	45530	1325	3625	9878	4051	2654	503	22	35	36	84	482
7	BGB	90	921	28873	1121	25056	9021	4287	310	115	31	25	55	78	421
8	HGB	59	816	23297	1170	23934	4618	1755	0	122	20	24	55	91	473
9	MGB	40	100	11547	674	8344	3721	1085	666	56	32	25	61	88	382
	W.Bengal	871	14905	285942	11758	172289	91364	40400	29661	1565	32	28	47	72	433
	India	14311	348027	3827778	406026	2693025	1581489	879737	280303	60905	41	18	69	77	378

Source: Key Statistics on RRBs, NABARD, 2001

Note : * - ve sign indicates loss.

divided into two parts, one is North Bengal and other is South Bengal). In the years 1978 and 1979 no Regional Rural Bank was established, but in 1980 three RRBs (viz., Nadia Gramin Bank, Sagar Gramin Bank and Bardhaman Gramin Bank) were set up (Table 2.3) and they covered another five districts of the State. Then Howrah Gramin Bank and Murshidabad Gramin Bank were established in 1982 and 1984 respectively and after that all districts (excluding Kolkata) of the State were being covered by the RRBs (Table 2.6).

At the end of September 1993 the total number of RRBs in West Bengal was 9 and the total number of their branches was 864. During that period the aggregate deposits of all RRBs in West Bengal was Rs. 58115.88 lakhs and total amount of outstanding advances was Rs. 30,786.56 lakhs. At same period the overdue advances and credit deposit ratio (C-D ratio) was Rs. 10,934.10 lakhs and 53 percent respectively in West Bengal. While at the same time, the number of RRBs, branches, total deposits, total advances (outstanding), overdue advances and C-D ratio of all RRBs in India are 196; 14546; Rs. 733799.72 lakhs; Rs. 4,68,232.03 lakhs; Rs. 1,63,483.41 lakhs and 64 percent respectively. At the end of March 2001, the total number of RRBs in West Bengal remained unchanged at 9 and the total number of branch networks increased to 871. Aggregate deposit and outstanding advances of the all RRBs of the State of West Bengal increased to Rs. 285942 lakhs and Rs. 91364 lakhs respectively, but credit ratio decreased to 32 percent during the same period (Table 2.5)

In the State of West Bengal RRBs have been playing an important role in the rapid development of banking business during last two and half decades. But recovery performances of RRBs of this State are not satisfactory. In view of the unsatisfactory recovery position of RRBs, National Bank for Agriculture and Rural Development (NABARD) has been monitoring on a quarterly basis their working in relation to important parameters such as productivity, cash management, advances portfolio and recovery performance and advising RRBs about remedial steps. Now, RRBs have been allowed to provide loans for non-priority sector purposes like loans for consumer durables and loans for various purposes against the security of gold ornaments, National Savings Certificates, Indira Vikas Patra, Kisan Vikas Patra, etc. to both target and non-target groups (Review of Working of RRBs, 1997).⁴

**Table 2.6 : District-wise Positions of Financial Institutions in West Bengal
(as at the end of June 2001)**

Sl. No	Name of Dist.	No. of RRBs Branches	No. of SCBs Branches*	Popn. Per Br. (in 000)	Per Capita Bank Deposits	Per capita Bank Advance	No. of PACs **	Member of PACs (in '000)	Working Capital of PACs (Rs.'000)
1.	Burdwan	71	373	19	6992	1516	613	533	11065
2	Birbhum	65	174	17	3375	861	351	205	2214
3	Bankura	69	166	19	3001	630	422	339	2578
4	Midnapore(E)	78	480	20	3438	714	1796	1313	17467
5	Midnapore(W)								
6	Howrah	43	220	19	7528	1176	214	128	3164
7	Hooghly	35	252	20	5848	909	510	424	4990
8	24 Par-ganas (N)	65	375	24	8142	977	485	218	3663
9	24 Par-ganas (S)	50	235	29	3142	443	494	192	2339
10	Kolkata	-	988	5	79745	48700	-	-	-
11	Nadia	65	180	26	3512	737	360	240	3552
12	Murshida-bad	64	221	27	2142	527	491	275	2725
13	Uttar Dinajpur	35	83	29	1556	508	199	118	1456
14	Dakshin Dinajpur	28	64	23	1795	556	207	84	2438
15	Malda	59	146	23	2205	617	229	149	1877
16	Jalpaiguri	39	136	35	3337	1023	183	87	703
17	Darjeeling	28	109	15	9855	2706	100	51	439
18	Cooch Behar	46	110	23	2010	603	238	158	1552
19	Purulia	29	112	23	2986	534	246	98	513
*	West Bengal	871	4424	18	8786	3586	7138	461262	62735

Source : Economic Review (2001-02), Statistical Appendix, Govt. of West Bengal, p. 204, 205.

Note : * No. of Schedule Commercial Banks' branches including RRBs' branches.

** PACS - Primary Agricultural Co-operative Credit Society.

2.4 A Brief Overview of All RRBs in West Bengal

Now, the State of West Bengal is being served by 9 RRBs with a network of 871 branches spread over 18 districts of the State. A brief overview of every RRB in the State can be seen in Table 2.3, Table 2.4 and Table 2.5 which reveal the following :

2.4.1 Gour Gramin Bank (GGB)

The first RRB in the state of West Bengal was established in the 2nd October 1975, under the name of Gour Gramin Bank (GGB) which was one of the first five RRBs in India and the only one in the Eastern Region. The head Office is located at Malda and the United Bank of India (UBI) is its sponsoring bank. The area of operation of GGB covers four districts namely, Malda, Murshadabad (partly), Uttar Dinajpur and Dakshin Dinajpur. Up to March 2001, the bank had 59 branches in Malda district and 26 branches in the Murshidabad district while in Uttar Dinajpur and Dakshin Dinajpur district the number of branches are 35 and 28 respectively. The total number of branches of GGB is 148.

The performance of GGB about expanding its branch network in reaching to the weaker sections in the unbanked and neglected areas has been remarkable. Only one branch out of 59 branches of GGB operating in Malda district situated in urban areas. Performance of GGB regarding credit expansion was satisfactory. As on December 1985 the total deposit of GGB was Rs.133020 lakhs and its total advances was Rs. 1299.12 lakhs whereas on 31st March 2001 the deposits and advances rose to Rs. 42007 lakhs and Rs. 16514 lakhs respectively. Credit deposit ratio is also satisfactory than any other commercial banks. In Malda district there are 86 branches of the nationalized commercial banks, but in comparison with GGB these banks have not shown liberal policy in opening branches in most neglected and unbanked rural areas of this district.

2.4.2 Mallabhum Gramin Bank (Mal. GB)

The second RRB in West Bengal State was opened on 9th April, 1976, under the name of 'Mallabhum Gramin Bank'. The Head Office of Mal.GB is located at Bankura and United Bank of India is the sponsoring bank of this gram in bank also. The Mal. GB covers four districts, viz., East Midnapore, West Midnapore, Bankura and Purulia. At present the total number of branches of this bank is 176, among

them 78 branches are in East Midnapore and West Midnapore districts, 69 in Bankura district and rest 29 branches are in Purulia district.

The deposit mobilized by Mal.GB in December 1984 was Rs. 1606 lakhs and increased to Rs. 21489 lakhs in March 1996, i.e., Mal.GB had grown by 13.4 times during the period of 12 years, whereas in West Bengal during this period the deposits of RRB increased 16.7 times (in December 1984 deposits were Rs. 5813 lakhs and increased to Rs. 97076 in March 1996). At the end of March 2001 the deposits of Mal.GB rose to Rs. 60532 lakhs. The bank has completed 25 years of its service and gives a satisfactory picture in the field of rural credit. As on December 1985 the amount of total credit of this bank was Rs. 1149.96 lakhs and increased to Rs. 20219.00 lakhs in March 2001. The credit deposit ratio was also satisfactory than any other commercial banks at that period. At present the total number of branches of the RRB are higher than those of other scheduled commercial banks in the above four districts (East Midnapore, West Midnapore, Bankura and Purulia).

2.4.3 Mayurakshi Gramin Bank (Mayu.GB)

Mayurakshi Gramin Bank was established on 16th August 1976 as the third RRB in the state after six months of the establishment of Mallabhum Gramin Bank. The Head office of the bank is located at Suri and its sponsoring bank is the United Commercial Bank. At the end of June 1987 the total number of branches rose to 65 and after June 1987 no new branch of Mayu GB has been established. This bank covers the district of Birbhum only.

At the end of June 1987, the amount of deposits mobilized by Mayu GB was Rs. 994.00 lakhs and at that time the amount of credit was Rs. 797.91 lakhs with a credit deposit ratio of 80 percent. But, at the end of March 2001 the deposits increased to Rs. 22861.00 lakhs and credit increased to Rs. 8736.00 lakhs whereas the credit deposit ratio decreased to 38 percent due to higher growth of deposits than that of credit. The performance of Mayu. GB in expanding its branch network to reach to the weaker sections in the unbanked and hitherto neglected areas was reasonable. It was noticed that the largest amount of loans were granted for agricultural purposes. The other nationalized commercial banks have not shown liberal policy in opening branches in most neglected and unbanked rural areas of

this district. It means that Mayurakshi Gramin Bank occupies a satisfactory position in the above mentioned district during the 25 years of its existence.

2.4.4 Uttar Banga Kshetriya Gramin Bank (UBKGB)

As the fourth RRB in the State Uttar Banga Kshetriya Gramin Bank was established on 7th March, 1977 as per the provisions of the Regional Rural Bank Act which came into force with effect from 9th Feb. 1976. It has been sponsored by the Central Bank of India and its Head Office is located at Cooch Behar. The area of operation of UBKGB comprises of three districts of North Bengal, viz., Cooch Behar, Jalpaiguri and Darjeeling. The bank was started with paid – up capital of Rs. 25 lakhs contributed by the Govt. of India, sponsor Bank and the State Govt. in the ratio of 50:35:15 when the authorized capital was fixed at Rs. 1 crore.

At the very beginning of its life, the performance was good. UBKGB was started with two branches in 1977 with 633 deposit and 497 credit accounts and total business of Rs. 4.53 lakh. The network of the branches increased to 113 with total deposits of Rs. 3595.6 lakhs and outstanding credit of Rs. 3310 lakhs in March 1990. The recovery performance of the bank during the first six years (1977-1982) was more than 63% of the total demand and decreased to 35.9% during the next seven years (1983-1990). It reached to 25.3% during the next five years (1992-1996). The recovery to disbursement ratio declined from 77.5% (during 1984-90) to 50.3% (during 1991-96). The credit deposit ratio of UBKGB was 130% in Dec. 1986 and it decreased vehemently to 41% in March 2001 because the growth of deposits was higher than the growth of advances during that period from 1986 to 2001. The present position of the bank as on 31st March 2001 is : 113 branches with a deposit mobilization of Rs. 33550.00 lakhs and outstanding credit disbursement of Rs. 13712.00 lakhs. The major portion of the advances goes to agriculture and allied activities.

2.4.5 Nadia Gramin Bank (NGB)

It was the 27th August of 1980, when 'Nadia Gramin Bank' was established as the fifth RRB in the state of West Bengal. The Head Office of the bank is located at Krishnanagar and its sponsoring bank is United Bank of India. The operation area of NGB is the district of Nadia only. At the end of June 1985 the total number of branches was 35, which could mobilise a deposit of Rs. 306.68 lakhs and the number of account of deposits was 27675 whereas the outstanding advances of

the bank was Rs. 245.08 lakhs and the number of account of outstanding advances was 16937. The credit deosit ratio was 80 percent and percentage of recovery was 83 percent during that year. The bank has 10 years of its service and gives a satisfactory picture in the field of rural credit.

It was expected that the bank would be able to provide adequate credit facilities to rural people of the district of Nadia for agriculture and allied activities. For this reason in every year the outstanding credit and deposit also increased. In the year ended on 31 st March 2001, the total number of branches rose to 65 which mobilized a deposit of Rs. 17746 lakhs and outstanding credit of Rs. 4944 lakhs, but the credit deposit ratio decreased to 28 percent.

2.4.6 Sagar Gramin Bank (SGB)

The sixth RRB in West Bengal is Sagar Gramin Bank which was established on 24th September 1980 and its Head Office is located at Ulto Danga. The sponsor bank of SGB is also the United Bank of India (UBI). It covers two districts of North 24 Parganas and South 24 Parganas. In the year that ended on 31st June 1985, the total number of branches was 90 which mobilized a deposit of Rs. 1189.61 lakhs (the number of deposit account was 133871) and outstanding credit of Rs. 1160.96 lakhs (the number of credit account was 61362) with a credit deposit ratio of 98 percent.

In fact, the performance of SGB about expanding its branch network in reaching to the weaker sections in the unbanked and neglected areas has been satisfactory. Upto March 2001, the bank had 65 branches in North 24 Parganas district while in South 24 Parganas district the number of branches is 50, i.e., the total number of branches of SGB during that time was 115. Performance of SGB regarding deposit and credit expansion was also satisfactory in comparison to other commercial banks. The present position of the bank as on 31st March 2001 is : 115 branches with a deposit mobilization of Rs. 45530 lakhs and outstanding credit disbursement of Rs. 9878 lakhs. But the credit deposit ratio decreased to 22 during that year. Taking the time and capital factor as well as its rural based character a conclusion can be drawn that the position of SGB is somewhat better than the commercial banks in these two districts.

2.4.7 Bardhaman Gramin Bank (BGB)

It was the 25th November of 1980, when 'Bardhaman Gramin Bank' was established as the seventh RRB in the state. The Head Office of the bank is located at Bardhaman and its sponsoring bank is the United Commercial Bank. At the end December 1985, the total number of branches rose to 60, which could mobilize a deposit of Rs. 414.33 lakhs (the number of deposit accounts was 44930) and extended outstanding credit of Rs. 334.38 lakhs (the number of credit account was 23221). The credit deposit ratio was 81 percent and percentage of recovery was 70 percent during that year. The bank has completed 20 years of its service and gives a satisfactory picture in the field of rural credit. At present the bank covers two districts, Bardhaman district completely and Hooghly district partly. In Bardhaman district the total number of branches of BGB is 71, on the other hand, in Hooghly the total number of branches of BGB is 19 only, i.e., the total number of branches of BGB in these two districts is 90.

It was expected that the bank would be able to provide adequate credit facilities to rural people of the above two districts for agriculture and allied activities. To fulfil the target in every year the credit disbursements had increased. As on 31st March 2001, the Bardhaman Gramin Bank had 90 branches with a deposit of Rs. 28873 lakhs and outstanding credit disbursement of Rs. 9021 lakhs. While the credit deposit ratio fell to 31 percent.

2.4.8 Howrah Gramin Bank (HGB)

The eighth RRB in the State is 'Howrah Gramin Bank' which was established on 12th June 1982. the Head Office is located at Howrah and the United Commercial Bank is its sponsoring bank. The area of operation of HGB covers two districts, namely the district of Howrah completely and the district of Hooghly partly. Upto 31st March, 2001 the bank had 43 branches in Howrah district while the number of branches in Hooghly district is 16 only.

The HGB played a vital role to improve the living conditions of the rural people of the above two districts. The performance of HGB about expanding its branch network in reaching to the weaker sections in the unbanked and neglected areas has been remarkable and the performance of HGB regarding credit expansion was also satisfactory. As on December 1985 the total deposit of HGB was Rs. 258.80 lakhs (the number of deposit accounts was 27895) and its total outstanding

credit was Rs. 94.20 lakhs (the number of credit account was 5426) whereas at the end of 31st March 2001, the deposits and outstanding credit increased to Rs. 23297 lakhs and Rs. 4618 lakhs respectively. The major portion of the advances goes to agriculture and allied activities.

2.4.9 Murshidabad Gramin Bank (MGB)

The name of ninth and youngest RRB in the state of West Bengal is 'Murshidabad Gramin Bank'. It was established on 17th November 1984 and during that period only one branch was opened. MGB has been established with a view to create an atmosphere for revitalization of the rural economy of the district. The entire district is the area of operation of the bank.

As on 31st March 1991, the total number of branches of MGB rose to 40, out of these there were 36 in rural and unbanked areas and 4 in semi-urban areas. During that period the man power position was officers - 47, Field Supervisors - 20, Junior Clerk-cum-Cashier - 52 and Messenger 42, i.e., the total number of man-power was 161. The total deposit of the bank as on same period increased to Rs. 956.06 lakhs.

The performance of MGB regarding credit expansion was satisfactory. The bank continued its efforts for extension of credit to its target group of people like small farmers, marginal farmers, landless labourers and rural artisans under different programme of the govt. viz, IRDP, SSI, FFD, SFPP, etc. for economic upliftment of the masses living below the poverty line. The outstanding advance as on 31st March 1991, stood at Rs. 755.21 lakhs and the credit-deposit ratio stood at 79.29 percent as against 60.65 percent of previous year.

At the end of March 2001, the total number of branches remained unchanged at 40. Out of 40 branches 39 are in rural area and 1 branch is in semi urban area. Aggregate deposit of the bank increased from Rs. 9601.41 lakhs at the end of March, 2000 to Rs. 11546.73 lakhs at the end of March, 2001 with the deposit growth of 20 percent as against 29 percent in the previous year inspite of the fact that the district was badly affected by flood during the year 2000-2001. The total advances of the bank as on 31-03-2001 was Rs. 3720.91 lakhs as against Rs. 3259.99 lakhs on 31-03-2000 with growth rate of 14.13 percent. The bank has been making sincere efforts to meet the credit needs of the people belonging to the priority sector, as well as non-priority sector.



Fig. 2.2: Map of the State of West Bengal

2.5 Turnover of RRBs in the State

In the State of West Bengal, RRBs are important components of the financial system. These institutions were an innovation in providing banking services to rural people in general and rural poor in particular. Though, these institutions have succeeded in extending the outreach of institutional credit to remote areas of the state, since beginning to end of the twentieth century their viability had been a matter of concern for the policy makers.⁵ All of them, i.e., 100 percent of RRBs in the State were incurring losses in 1994-95.

Government of India, RBI and NABARD introduced a series of policy initiatives for the RRBs in the year 1991-92 as a part of financial sector reforms process. The focus of these reforms were recapitalisation of selected RRBs providing operational freedom and introduction of transparency in balance sheets of the RRBs (Deshpandey and Shrivastava, 1999). These policy initiatives helped many RRBs in achieving their viability, though the RRBs system as a whole did not show signs of revival and even after eight years of initiating reforms some RRBs were continued in losses. But, the performance of all RRBs in the state for 2000 -01 is drastically different from past and the performance indicators of RRBs which have been recently compiled and published by NABARD show a tremendous improvement over their performance in the past years. It is also notable that the performance of RRBs in different districts are not similar due to different level of socio-economic condition of the borrowers such as land size, fertility of land, irrigation system, market, business facility, industry, educational status etc. Besides these, awareness of borrower, efficiency of bank officials, natural calamities, etc. are also important causes of dissimilar performance of RRBs in different districts. These results has been analysed in the next chapters of this study.

2.6 Summary

The above analysis reveals the salient features of every Regional Rural Bank of the State of West Bengal. It has brought to focus the following highlights :

- (i) Regional rural Banks have been playing a vital role in the rapid development of banking business in the State of West Bengal during last two and half decades.

- (ii) At the end of March 2001, total number of RRBs in West Bengal remained unchanged at 9 and total number of branch networks increased to 871. Aggregate deposits and outstanding advances of the all RRBs of West Bengal increased to Rs. 285942 lakhs and Rs. 91364 lakhs respectively, but credit deposit ratio decreased to 32 percent due to lower increasing rate of advances than deposits during the same period.
- (iii) In the State of West Bengal, Gour Gramin Bank is the first RRB which was one of the first five RRBs in India and the only one in the eastern region. It is sponsored by the United Bank of India and its Head Office is located Malda. As on 31st March, 2001, the number of branch networks of GGB was 148 and its total deposits, outstanding advances and C-D ratio were Rs. 42007 lakhs, Rs. 16514 lakhs and 39 percent respectively.
- (iv) The second RRB in the state is Mallabhum Gramin Bank. Its head Office is situated at Bankura and sponsored bank is United Bank of India. As on 31st March 2001, the number of branch network of the bank was 176 (highest in West Bengal) and its total deposits, outstanding advances and C-D ratio Rs. 60532 lakhs, Rs. 20219 lakhs and 33 percent respectively.
- (v) Mayurakshi Gramin Bank, is the third RRB in the state, is sponsored by the United Commercial Bank. The Head Office of the Bank is located at Suri. As on 31st March 2001, its branch networks was 65 and total deposits, outstanding advances and C-D ratio were Rs. 22861 lakhs, Rs. 8736 lakhs and 38 percent respectively.
- (vi) The fourth RRB in the state is Uttar Banga Kshetriya Gramin Bank which is sponsored by the Central Bank of India and its Head Office is located at Cooch Behar. The number of its branch networks was 113 at the end of March 2001 and its total deposits, outstanding advances and C-D ratio were Rs. 33550 lakhs, Rs. 13712 lakhs and 41 percent respectively at the same time.

- (vii) In West Bengal, the fifth RRB is Nadia Gramin Bank which is sponsored by United Bank of India. The Head Office of the bank is situated at Krishnanagar. At the end of March 2001 the number of branch networks of the bank was 65 and its total deposits, outstanding advances and C-D ratio were Rs. 17746 lakhs, Rs. 4944 lakhs and 28 percent respectively at that time.
- (viii) The name of the sixth RRB in the state is Sagar Gramin Bank which is sponsored by United Bank of India also. Its Head Office is located at Ulta Danga. As on 31st March 2001, the number of total branch networks of the bank was 115 which mobilized Rs. 45530 lakhs and its outstanding advances and C-D ratio were Rs. 9878 lakhs and 22 percent respectively at the same time.
- (ix) Bardhaman Gramin Bank is the seventh RRB in the state. The name of the sponsored bank of the bank is the United Commercial Bank and its Head Office is located at Bardhaman. The number of total branch networks of the bank was 90 at the end March 2001 and at that time its total deposits, outstanding advances and C-D ratio were Rs. 28873 lakhs, Rs. 9021 lakhs and 31 percent respectively.
- (x) The name of eighth RRB (second from last) in the state is Howrah Gramin Bank which is sponsored by the United Commercial Bank. The head Office of the bank is situated at Howrah. As on 31st March 2001, the number of total branch networks was 59 and its total deposits, outstanding advances and C-D ratio were Rs. 23297 lakhs, Rs. 4618 lakhs and 20 percent respectively during the same period.
- (xi) The youngest and ninth RRB in West Bengal is Murshidabad Gramin Bank. The Head Office of the bank is located at Berhampore and its sponsored bank is United Bank of India. At the end of March 2001, the number of total branch networks of the bank was 40 and its total deposits, outstanding advances and C-D ratio were Rs. 11547 lakhs, Rs. 3721 lakhs and 32 percent respectively.

- (xii) At the beginning of 21st century all RRBs in the state of West Bengal have been able to show profit which indicates the improvement of the performance of them.

Though, RRBs have succeeded in extending the outreach of institutional credit to remote areas of the state, since beginning to end of the twentieth century their viability had been a matter of concern for the policy makers. As a part of financial sector reforms process, Government of India, RBI and NABARD introduced a series of policy initiatives for the RRBs which did help all RRBs in the State to achieve their viability.

Notes

¹According to the Provisional Census Report, 2001 the State of Uttar Pradesh continued to be the largest state, population-wise with 16.17% people of the country living there, followed by Maharashtra with 9.42% and Bihar with 8.07%. While the State of West Bengal occupied fourth place accounting for 7.81% of the country's population (Provisional Census Report, 2001, Government of India).

²As on 1st January, 2002 Midnapore District was divided into two districts, viz., East Midnapore and West Midnapore, resulting, now, the total number of districts of West Bengal is 19 (Economic Review, 2001-02, Government of West Bengal).

³Initially, five Regional Rural Banks were set up on October, 1995 at Moradabad and Gorakhpur in Uttar Pradesh, Bhiwani in Haryana, Jaipur in Rajasthan and malda in West Bengal. These banks were sponsored by the Syndicate Bank, State Bank of India, the Punjab National Bank, United Commercial Bank and United Bank of India respectively (RBI Report, 1976).

⁴All RRBs were allowed to finance non-target group borrowers upto a ceiling of 40% of fresh advances since September 1992. then, with the effect from January 1994 the RRBs were allowed to finance non-target group borrowers to extent of 60% of fresh loans and to purchase/discount and issue Demand Drafts/Cheques, guarantee/provide remittance and locker facility, etc. (Review of working of RRBs, NABARD, 1997).

⁵ The policy makers of RRBs are Government of India, Reserve Bank of India, NABARD and Sponsor Banks. They play as guide and master of RRBs (Deshpande and Shrivastava, 1997).