

## ROLE OF KERALA GRAMIN BANK IN THE RURAL DEVELOPMENT OF KERALA

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### Abstract

Today banking services has an influence on each and every part of human life in India. The efficient performances of banks are inevitable for the financial soundness and also for the overall development of the society by ensuring regional balance. As an efficient Regional Rural Bank in Kerala, Kerala Gramin Bank has an important role in the upliftment of rural sector by undertaking the services to satisfy the needs of majority of the population. With 634 branches operating all over Kerala, Kannur district stands first the in terms of number of branches. Borrowing position of the bank recorded a highest growth in the year 2021. The bank achieved positive growth in terms of advances. The deposits and advances of the bank showed an increasing trend in the last two years and reached highest position in the year 2020-21. The study clearly revealed that bank should focus more on the rural development especially in agriculture and small scale industries by starting more branches in districts where branches counted low.

**Key words:-** Regional Rural Banks, rural development, agriculture, Kerala Gramin Bank

Kerala stands 21<sup>st</sup> position in the geographical coverage of India as well as the economy of the state attained ninth position in terms of Gross State Product (GSP) of more than 9.5 lakh crores. Regarding the demographic classification of Kerala more than fifty per cent of

population belongs to rural areas. These people mainly concentrated on agriculture, self employment and Micro Small and Medium Enterprises (MSME) as a part of earning their livelihood.

The rural agriculturists mainly focus on enriching their livelihood means and thereby improving their standard of

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living. Earlier money needed for the people were arranged with local moneylenders even though they charge exorbitant amount of interest. But later the involvement of banking institutions in meeting the credit needs of rural people changed the situation a little more favorable to them. Indian banking system broadly classified in to commercial banks, cooperative banks and development banks. Crucial one among them is the regional rural banks which come under a sub division of commercial banks.

Regional rural banks were formed mainly to consider the credit and deposits demand of rural area. In Kerala initially there were two RRBs such as South Malabar Gramin Bank (SMGB) sponsored by Canara Bank and North Malabar Gramin Bank (NMGB) sponsored by Syndicate Bank from 1976. Later they amalgamated and popularly known as Kerala Gramin Bank with Malappuram as its head office and with Canara Bank as its sponsorship bank in the year 2013. Banks have a network of 634 branches all over Kerala. The bank has more than 10000 ATMs, more than 3500 employees which dealt with more than 90 lakh customers. The major objectives of the bank is to ensure overall economic development and advancement of the people by offering various services to them in connection with different sectors like agriculture, small scale industries, housing and other types of priority lending.

For supporting agriculture, different types of credit provided by bank which includes kissan credit card, agriculture gold loans, agriculture term loans, agricultural over draft, vehicle loan for agriculture and

infrastructure fund for agriculture. In addition to this, for promoting employment, bank provides group loans.

### **Significance of the Study**

Kerala Gramin Bank has an important role in the rural economy as it is the one and only bank that comes under the Regional Rural Banks in Kerala. In order to safeguard the financial needs of rural people in Kerala the bank provides various services. There are different classes of banks in Kerala like private sector banks, public sector banks, cooperative banks, regional rural banks and small finance companies. A study on KGB enables us to know the role of the banks in by analyzing various parameters like advances, deposits, reserves, borrowings, investments, net profit etc.

### **Scope of the Study**

The study focuses on the position of banks among other banks in Kerala in terms of number, distribution of branches of KGB in different districts and also growth rate among various parameters of bank. The study on Kerala Gramin Bank considers the area which falls under the geographical boundaries of Kerala, as its banking operations is limited with in Kerala.

### **Review of Literature**

(Moitra, 1992) conducted the study to found the role of RRBs in bringing progress in backward region like Maldam identified that the priority lending of RRBs was good but their recovery state was not satisfactory. The number of customers conducting willful default was more than non-willful default. Poor farmers repaid pay the loan than the rich

ones. In case of women beneficiaries received maximum credit and they timely repaid the loan. But was not the pure reflection of their economic prosperity.

(Khankhoje & Sathye, 2008) conducted a study to investigate whether the restructuring activities on RBI in India during 1993-94 helped them to improve their production efficiency and identified that the restructuring reforms of regional rural banks improved their performance.

(Kaushal, 2016) pointed out that Regional Rural Banks were facing tough competition from other commercial banks while they perform their services effectively. There exist regional disparities in expansion of branches of RRB in Punjab. Adopting advanced technique make the bank more competitive to face challenges. Growth was evidenced deposit mobilization and credit deployment

(Satish et al., 2018) identified the development of RRBs helped in overcoming the regional imbalances in case of banking facilities in India. RRBs succeeded in providing the services to rural people at their door steps and there by achieving its primary objective. The study also revealed that the government takes various measures to bring the RRBs in a position of being enough to compete with commercial and cooperative banks in the country.

(Kant, 2020) pointed out the importance of commercial banks in reaching the banking products to the customers in rural area and various challenges faced by them while carrying out their activities.

The present study “Role of Kerala Gramin Bank in the Rural Development of Kerala” focuses on importance of RRBs among banking sector in India, its branches and the growth rate of various parameters. These make study distinctive from others.

### **Objectives of the Study**

The objectives of the study are:

- To understand the position of RRBs in Kerala and the distribution of its branches in different districts of Kerala.
- To identify the growth rate among various parameters of KGB from 2016-2021.

### **Research Methodology**

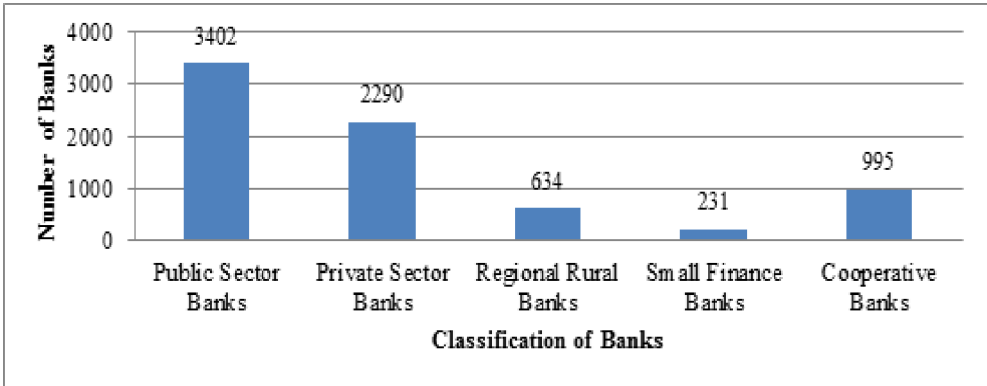
The present study is descriptive in nature and was used secondary data. Details are obtained from the websites of National Bank for Agriculture and Rural Development (NABARD), Reserve Bank of India (RBI), financial statements and annual report of Kerala Gramin Bank (KGB). Figures and tables used for the representation of collected data. Growth rate is also adopted to analyze the performance of the bank.

### **Analysis of Data**

#### **Banks in Kerala: An overview**

Figure 1 shows the classification of different banks that are operating in Kerala and their respective number as on 2021. From the diagram it can be concluded that the Regional Rural Bank holds fourth position among various banks like public sector banks, private sector banks, Small Finance Banks and Cooperative Banks.

**Figure 1**  
**Classification of Banks in Kerala**



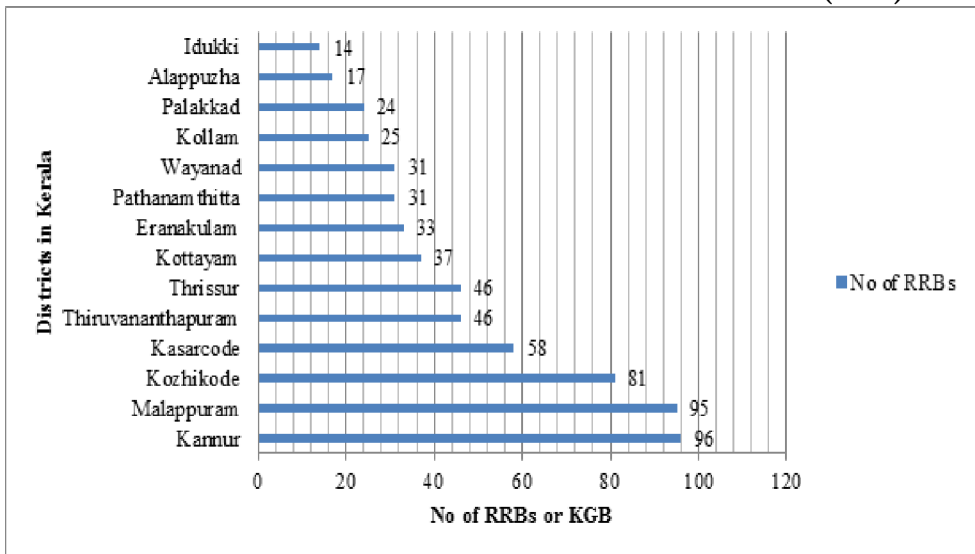
Source: [slbckerala.com/Banking-Network-Summary](http://slbckerala.com/Banking-Network-Summary).

**District wise distribution of RRBs – Kerala Gramin Bank (KGB)**

Figure 2 shows the number of regional rural banks in various districts of Kerala. It can further be seen that among the 634 branches of Kerala Gramin Bank

highest number of branches are found in Kannur district with 96 branches. Malappuram, the head office of KGB comes in the second place having 95 branches. Less than twenty branches are found in Alappuzha and Idukki.

**Figure 2**  
**District wise distribution of RRBs – Kerala Gramin Bank (KGB)**



Source: <http://keralagbank.com>

### Growth rate in various parameters of the bank from 2016 to 2021

Table 1 depicts the growth rate in various factors of Kerala Gramin Bank during the period. The growth rate in term borrowings, reserves, deposits, advances and investments forms the part of the table.

In table 1, highest growth rate is shown in the case of borrowings in the year 2021. Negative growth on its highest range took place in borrowings and that was in the year 2019. In 2020, three parameters such as borrowings, reserve and investments collectively recorded negative growth. Advances and deposits are recorded a positive growth rate even though the growth rate some case follow an increasing trend or otherwise decreasing trend.

### Advances and deposits of KGB from 2016 to 2021

Figure 3 depicts a comparison of advances and deposits of KGB in the last six years. In 2018 advances and deposits depicted a lower difference. But the

scenario get changed from 2019 onwards were deposits started overriding advances. Still both are showing an increasing trend.

### Net Profits of Kerala Gramin Bank from 2018 to 2021

Figure 4 clearly indicates the position of net profit of Kerala Gramin Bank from 2018 to 2021. Highest net profit earned by the bank during the year 2018. Lowest net profit recorded in 2019. In the last four years the bank not experienced any loss making situation.

### Major Findings

Following are the major findings of the study:

- RRB occupies fourth position among the five classifications of banks in Kerala.
- Kannur district has large number of KGBs in Kerala followed by Malappuram and the lowest number of branches is in Idukki.
- Highest growth rate found in borrowings in the year 2021.

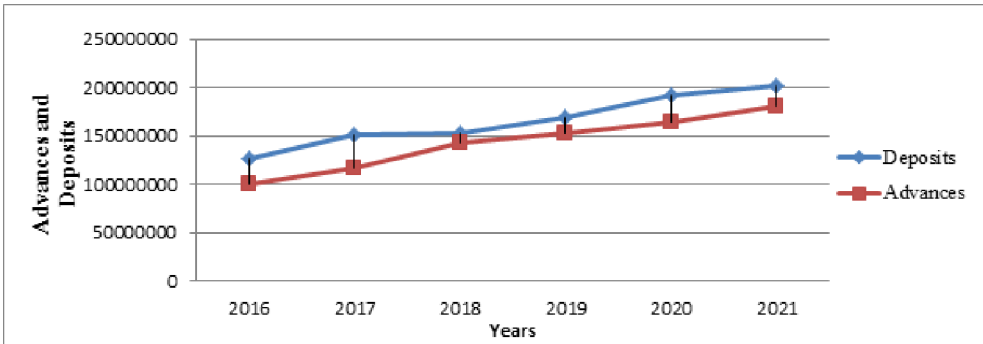
**Table 1**

**Growth rate in various parameters of the bank from 2016 to 2021 (in thousands)**

Year	Borrowings		Reserve		Deposits		Advances		Investments	
	Amount	Growth rate	Amount	Growth rate	Amount	Growth rate	Amount	Growth rate	Amount	Growth rate
2016	26736679	-	6155281	-	126786650	-	99879955	-	28304714	-
2017	27827397	4.08	7184644	16.72	150751207	18.90	117602781	17.74	41173755	45.47
2018	43163819	55.11	7844927	9.19	153383631	1.75	143100924	21.68	33665300	-18.24
2019	27783266	-35.63	7859539	0.19	168796618	10.05	153195720	7.05	36415792	8.17
2020	26821877	-3.46	7346309	-6.53	192535607	14.06	164512838	7.39	36345590	-0.19
2021	47558727	77.31	7677594	4.51	201504708	4.66	180367980	9.64	46222985	27.18

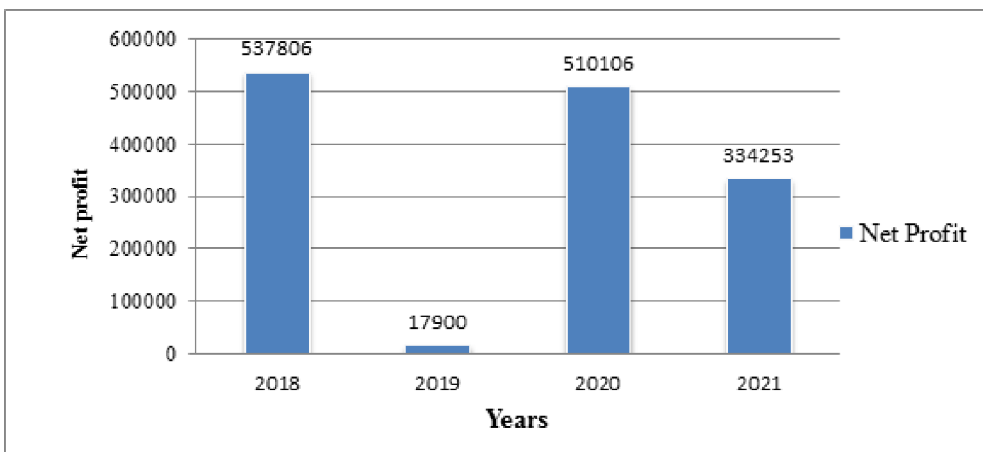
Source: <http://keralagbank.com>

**Figure 3**  
**Advances and deposits of KGB from 2016 to 2021(in thousands)**



Source: *Source: <http://keralagbank.com>*

**Figure 4**  
**Net profits of Kerala Gramin Bank from 2018 to 2021 (amount in thousands)**



Source: *Kerala Gramin Bank Report 2020-21*

- Highest degrowth also found in the case borrowings in the year 2019.
- Advances and deposits of KGB shows an increasing trend from the year 2019 after showing a stagnant position in the case of deposits in the year 2018.
- Highest net profit earned by the bank during the year 2018.

**Conclusion**

The performance of Kerala Gramin Bank as a Regional Rural Bank in Kerala helped the state to meet the credit needs of people in rural area. With more than 600 branches set all over Kerala have fourth position in the number of banks in Kerala. In case of districts the concentration of bank branches more in

the Kannur. Highest growth rate and negative growth were found in case of borrowings the former in the year 2021 and latter in the year 2019. While comparing advances and deposits both are showing an increasing trend. From 2019 onwards deposits are growing on a higher rate than advances. It indicate that people considers KGB as a platform for investing their savings. Regarding profitability, net profit recorded highest amount in 2018 and lowest in 2019. In the last four years the bank recorded a loss.

### Suggestions

- Among the five categories of banks in the state, Kerala Gramin Bank occupies second last position in terms of number of branches. Hence the bank should take adequate measures to strengthen its number

of branches to reach its services to a vast number of customers.

- Regional disparity can be found in case of districts were number of branches. More than 90 branches in Kannur and Malappuram districts whereas it is only 14 in Idukki. The situation needs to be corrected.
- Customers considers bank as a place to keep their savings. So the bank should introduce a variety of deposits products to satisfy the diversified needs of the customers.
- Highest growth rate in the case of borrowings was in the last year. So the measures to reduce the liability of the bank should be undertaken.
- Bank need to maintain stability in its profit earning capacity to achieve the confidence of customers.

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