AN ANALYSIS OF RURAL INDIAN BANKS' PERFORMANCE WITH EMPHASIS ON KARNATAKA VIKAS GRAMEENA BANK

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ABSTRACT

Indian rural banking involves creating financial institutions to alleviate rural poverty. When it comes to the multi-agency method used to offer agricultural and rural loans in Karnataka's rural regions, the Karnataka Vikas Grameena Bank (KVG) stands out as a leader among RRBs. When it comes to serving the financial requirements of farmers, merchants, rural craftsmen, professionals, the self-employed, contractors, and the general public, the KVG Bank is unrivaled. This article seeks to assess the contribution of the KVG to the state of Karnataka's. According to the findings of the study, the KVG Bank was the financial institution that extended the greatest number of loans to the agricultural sector. This enabled the bank to play a significant role in the expansion of the agricultural industry in rural regions. In addition, it has been noticed that the linked firms of the bank get a minuscule share of the priority sector loans made available by the bank.

INTRODUCTION

Even though 73% of Indians live in rural areas, they only get 44% of the country's GDP. low incomes, a poor quality of life, and a lack of human capital are all features of rural areas. Money is the lifeblood of every building project. Regional rural banks have an outsized impact on rural and regional economies in the modern era. Financial institutions provide capital for the production of products and services, which in turn enhances the income and quality of life of the people, making the banking sector crucial to economic growth. On that day in 1975, October 2nd, regional rural banks were born. The primary goals of these banks are to promote economic growth in rural regions by increasing access to credit and other services, especially for small and marginal farmers, agricultural workers, rural craftsmen, and small enterprises. The rural banks fill the credit void in the countryside, and their purpose is to promote economic growth in rural India. They will focus only on serving rural areas and providing productive loans to the rural communities. As of March 31, 2018, 56 RRBs were actively contributing to the growth of India's agricultural sector and rural economy. The current investigation is on the state of Karnataka's top-performing RRB, the Karnataka Vikas Grameena Bank.

Karnataka The Vikas Grameena Bank is a prominent rural financial institution in the state of Karnataka. It was formed from the merger of four previous Grameena Banks, and its service area currently covers nine districts, or about a third of the state. This expansion has allowed it to reach a wider segment of the rural population. The administration has planned to reorganize 49 regional reserve banks. The restructuring group included the chairmen of four public sector banks as well as members from the RBI and NABARD.

REVIEW OF LITERATURE

*Marc Gurgand, Glenn Pederson and Jacob Yaron(1996)*This paper looks at how well six rural finance institutions (RFIs) in Sub-Saharan Africa have done. These RFIs are judged based on two performance criteria: how many people they reach out to and how much they can support themselves on their own. According to the performance standards, each of the RFIs has some flaws, and important information about how they work is often missing. But all six RFIs have done a lot to get the word out. In general, the chosen RFIs in Cameroon, Togo, Rwanda, Benin, Malawi, and Burkina Faso have given banking services to peasant farmers, women, and poor people who are normally left out of official funding.

*Pailwar, V. K., Kaur, J., Saxena, K., &Nijhara, M. (2010).*The goal of this microstudy is to find out how important financial organizations are in helping rural and semi-urban families use their funds. It is based on the first-hand information from a full-scale group study that was done in five towns and two suburbs of India's National Capital Region. Using hierarchical models on these data, it was found that participation in financial institutions, like banks, insurance companies, and private financial institutions, explains a big part of the difference in how much money rural households save.

*Paheem Beg, D. M. (2012)*This paper studies how RRBs in India help people get access to money. In this paper, an effort was made to study and find out if RRBs in this area have made any progress toward giving rural poor people more banking services and improving India's standing in terms of financial inclusion.

*Pathak, D. S., &Raees, D. S. (2015)*The findings and conclusions of the research indicate that financial institutions inclusion in the regional rural banks has greatly contributed to the realization of financial inclusion. The study will assist researchers, academics, and policymakers in their efforts to get deeper into the base of the pyramid.

*Laxmisha, A S. Aayam, Akgim(2018)*The goal of this paper is to evaluate the performance of Karnataka Vikasa Grameena Bank in the state of Karnataka based on its goals and achievements in PS and NPS lending, sector-wise lending, break-up analysis of priority sector advances, and consistency between loans for agricultural and allied activities and non-agricultural loans. The goals were reached by testing the theories, which are shown where they belong.

*Ramakrishna, D. (2018)*The findings and conclusions of the research indicate that regional rural banks have substantially contributed to the realization of financial inclusion. Researchers, academics, and policymakers will all be able to reach farther down into the pyramid with the assistance of this study.

Shetty, M. D., & Bhat, S. (2022) Overall performance evaluation for the southern area in 2020 and 2021 was the goal of this paper. The goal of this study is to learn more about how the banks are doing and to examine and understand how the banking sector is doing now in the southern part of India. The study showed that there is a change from year to year, and it can only be explained if these places are taken into account. Even though leverage is good, NPA makes it possible to move up 10 places.

Objectives

1. To examine and analyze the incremental element KVG Bank's incremental features, such as branch network expansion, deposits, advances, and asset categorization.

2. To evaluate the financial ratios of the KVG Bank.

METHODOLOGY OF THE STUDY

The current research uses secondary data and is exploratory and diagnostic in nature. Key performance indicators have been used to assess the financial performance of the RRBs in India. The base years are 2020–21 to 2022-23 and growth estimates are based on those years. The gathered information is evaluated, and the annual growth trend in the number of branches is used to study the distribution of RRBs. The loan taken and the accounts managed both showed a growing pattern.

RESULTS OF ANALYSIS

- Analysis of the Incremental elements

It investigates and evaluates the KVG Bank's incremental features, such as branch network expansion, deposits, advances, and asset categorization.

Table 1: Branch Network Expansion

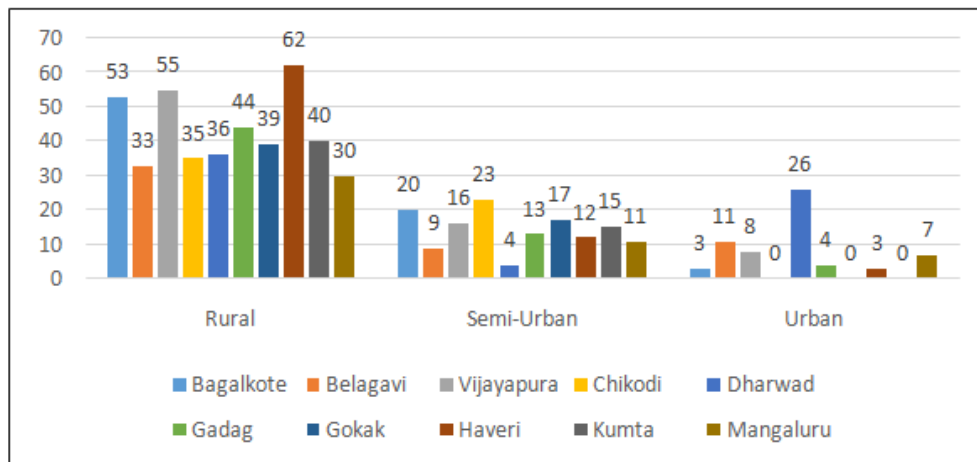| No.	Region	Rural		Semi-Urban		Urban	
		Branch	%	Branch	%	Branch	%
1	Bagalkote	53	12.41	20	14.29	3	4.84
2	Belagavi	33	7.73	9	6.43	11	17.74
3	Vijayapura	55	12.88	16	11.43	8	12.90
4	Chikodi	35	8.20	23	16.43	0	0.00
5	Dharwad	36	8.43	4	2.86	26	41.94
6	Gadag	44	10.30	13	9.29	4	6.45
7	Gokak	39	9.13	17	12.14	0	0.00
8	Haveri	62	14.52	12	8.57	3	4.84
9	Kumta	40	9.37	15	10.71	0	0.00
10	Mangaluru	30	7.03	11	7.86	7	11.29
		427	100	140	100	62	100

Source: Annual Repot

Chart 1: KVG Brach Network for 2022-23.

The analysis presented in the above table and chart shows that the KVG branch network is in the rural, semi-urban, and urban regions. The data clearly shows that Haveri region is leading in the rural region, Chikodi in the semi-urban region, and Dharwad in the urban region.

Table 2: Analysis of Deposits

Category	2020-21	2021-22	Growth	2022-23	Growth
Demand Deposit	6516.66	7607.51	16.73	8216.59	26.09
Time Deposit	9583.03	10039.47	4.76	10493.84	9.50
Total	16099.70	17646.98	9.61	18710	16.22

Source: Annual Report

It can be seen that in the above table, the growth rate is incremental: a 26.09% increase in demand deposits from 2020–21 to 2022–23 and a 9.50% increase in time deposits from 2020–21 to 2022–23.

Table 3: Analysis of Advances

Category	2020-21	2021-22	Growth	2022-23	Growth
For Agriculture	7609.88	8690.26	14.20	10273.70	35.01
For SMEs	1759.49	1856.41	5.51	1795.83	2.07
Others	2348.94	2554.15	8.74	2370.84	0.93
Total	11718.3	13100.82	11.80	14440	23.23

Source: Annual Report

Over the period of 2020-21 to 2022-23, the amount of advances disbursed to the agricultural sector has increased by 35.01%, while the amount disbursed to SMEs and other sectors has decreased.

Table 4: Analysis of Assets Classification

Assets	2020-21	2021-22	Growth	2022-23	Growth
Standard Assets	10088.51	11873.16	17.69	13484.06	33.65
Sub-standard	743.41	309.19	-58.40	424.28	-42.93
Doubtful	824.96	911.02	10.43	523.99	-36.48
Loss assets	61.43	7.51	-87.77	8.04	-86.91
Total	11718.3	13100.82	11.80	14440	23.23

Source: Annual Report

The above analysis clears that standard assets have increased from 2020–21 to 2022–23 by 33.65%, sub-standard assets, doubtful assets, and loss assets have decreased from 2020–21 to 2022–23 by 42.93%, 36.4%, and 86.91%, respectively. It was a very good sign for any bank to see a decrease in non-performing assets.

Table 5: Analysis of Financial Ratio

Ratio	2021-22	2022-23
Financial Return	7.24	7.26
Financial cost	4.11	4.14
Financial Margin	3.13	3.12
Operating cost % to Working fund	4.07	3.47
Operating Profit	1.56	1.30
Risk cost	1.46	1.11
Net Margin	0.10	0.19

Source: Annual Report

Table 6: Pearson's Correlation Analysis

	r	p
2021-22 and 2022-23	0.99	<.001
	Statistics	p
Kolmogorov-Smirnov	0.19	.923
Kolmogorov-Smirnov (Lilliefors Corr.)	0.19	.808
Shapiro-Wilk	0.95	.709
Anderson-Darling	0.3	.589

Source: Annual Report

A Pearson correlation was performed to determine if there is a correlation between variables 2021–22 and 2022–23. There is a very high, positive correlation between variables 2021–22 and 2022–23, with r = 0.99. Thus, there is a very high, positive association between 2021–22 and 2022–23 in this sample. The result of the Pearson correlation showed that there was a significant correlation between 2021–22 and 2022–23, r = 0.99, p = <.001.

CONCLUSION

The first primary goal in India is the country's rural development, which aims to increase the number of bank branches in areas that were previously underserved. The second primary goal of the program was to prioritize certain industries in terms of the financing it provided. The decision-makers in charge of policy intended to alter the make-up of loans in order to broaden their scope and include segments of the population who had previously been ineligible for formal funding. Farmers, small business owners, and company owners were the primary demographics that were targeted. Through the employment of the lead bank plan, the Reserve Bank of India was able to exercise the authority that it has over the banking industry, therefore ensuring that these goals were appropriately implemented.

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