

The Regional Rural Banks in India- Performance Evaluation on the Operation of Assam Gramin Vikas Bank

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ABSTRACT

The study on Assam Gramin Vikas Bank (AGVB)'s performance review intends to analyze the performance picture and its various determinants. The performance of AGVB is evaluated systematically across several parameters. Branch network development, employee per branch, district and population coverage, deposit mobilization, credit advances, priority and non-priority sector lending, non-performing assets, recovery, expenditure, profitability, and profit factors are all thoroughly examined. Depending on specific factors, the study aims to give a comprehensive review of the bank's performance, including productivity and operational efficiency. The study used descriptive statistics and regression analysis to estimate the impact of factors on the dependent variables of the model. The findings reveal key insights, including the concern of declining profitability and the impact of factors such as non-performing assets and the credit- deposit ratio on the bank's overall performance. The variation in the dependent variable, which is the profitability of the Assam Gramin Vikas Bank, is explained by independent variables to a high degree, with an R-squared value of 0.967. The significant F-value of 0.025 further confirmed the substantial relationship between the dependent and independent variables in the multiple regression model. Overall, the analysis demonstrated that the independent variables have a significant impact on the profitability of the Assam Gramin Vikas Bank.

Keywords: AGVB, Performance Evaluation, Deposit and Credit, NPA, Recovery, Priority & Non- Priority Sector.



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INTRODUCTION

After the independence the banking system in India has gone through several structural changes to maintain its financial linkages with the economy and also to fulfill its required objectives for the socio-economic development in the country (Kumbhakar & Sarkar 2005). Although several scheduled commercial banks and co-operative banks were operating in the country, still another diverse nature of Bank need was felt and therefore a new kind of banking structure was created in the country and named it the Regional Rural Banks (RRBs). Regional Rural Bank created to provide the banking facility to the backward areas and rural masses in the country. In the year 1975 with the recommendation of Narasimham Committee the Govt. of India shaped the Regional Rural Banks in the country. The prime objective behind its creation was to connect the rural areas and poor rural masses with various banking services (Ibrahim 2010) who failed to get credit from financial institutions like co-operative banks and other scheduled commercial banks existing in the country.

In the Indian banking sector RRBs have been operating more than three and half decades. With the humble beginning of 6 RRBs having 17 branches covering 12 districts in the country, its number increased to 196 RRBs in 518 districts across the country in 2004. As per the Recommendation of Vyas Committee (RBI, 2004) the structural consolidation of RRBs started by merging the RRBs sponsored by the similar bank. By this merger and amalgamation, the total number of RRBs had come down to 133 branches from 196 branches in 2006 and by 2011 there were 82 RRBs with 15, 658 branches and operating in 621 districts in the country (Ahmed 2015). At present there are 43 RRBs operating across the country (RBI 2024).

As far as the Assam Gramin Vikas Bank (AGVB) is concerned, it is the restructured regional rural bank of Assam, which was set up in January 2006 by amalgamating the erstwhile Pragjyotish Gaonlia Bank, Cachar Gramin Bank, Subansiri Gaonlia Bank, and Lakhimi Gaonlia Bank as per provision under Section 23(A) of the RRB Act, 1976 (AGVB Annual Report 2011–12). The head office of the AGVB is located in

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Guwahati, and the objectives set before the RRBs remain intact for the Assam Gramin Vikas Bank. The AGVB places emphasis on providing credit for agriculture, MSME, small entrepreneurs, artisans, etc. and also performing businesses as defined in Section 18(2) of the RRB Act, 1976, and Section 6(1) of the Banking Regulation Act, 1949. The total business of the Assam Gramin Vikas Bank is Rs.18335.67 crore, and its growth recorded over the previous year was 8.74 percent (AGVB Annual Report 2022-23).

The current study is divided into six sections. Section 1 presents the introduction, followed by a review of the literature in Section 2, sub-section 2.1 on research gaps and objectives, and Section 3 on research methodology. Section 4 provides results with six sub-sections on various parameters (sub-sections from 4.1 to 4.6). Finally, Section 5 covers discussion, and Section 6 concludes the study.

LITERATURE REVIEW

In comparison with commercial banks, a shortage of literature is for Regional rural banks (RRBs). However, the researchers have tried to explore available studies related to functioning, performance as well as critical insights and challenges faced by RRBs.

RRBs have been instrumental in rural financial inclusion, providing credit to agriculture and weaker sections. Several studies emphasize the need for structural reformation, technical efficiency, improved employee productivity and digital adoption to sustain. Bharti and Kumari (2022) assessed the efficiency of RRBs in agriculture finance and lending to weaker sections, recommending enhanced support for rural lending. Opined similarly, Ibrahim (2012) emphasises RRBs' substantial credit contributions to India's agricultural sector.

Researchers examined strategies for RRBs to better serve rural areas and reduce financial gaps, indirectly addressing the challenges faced by this banks. Chakrabarti (2013) and Kumar et al. (2018) advocate for expanding the RRB network and enhancing service quality to address financial accessibility gaps in rural areas. However, challenges such as high operating costs, management inefficiencies, and regional disparities in rural credit distribution persist, as noted by Pati (2005) and Chavan (2004) hinders their operational efficiencies. Performance of RRBs varies across regions, influenced by policy changes, underscore the need for tailored strategies to address inefficiencies. Committees like Chalapathy Rao (2002) and Purwar (2004) proposed restructuring RRBs through amalgamation and changes in sponsorship to enhance their competence while retaining their regional focus. Research by Ibrahim (2010) and Khankhoje & Sathe (2008) highlighted significant performance improvements following government-led restructuring initiatives.

The RRBs' have significant role in regional economic development and rural revitalization. However, some

researchers question their efficacy due to frequent policy changes and reconstruction. Studies like Tasi (2006) and Sadakkadulla (2007) emphasized RRBs' role in regional economic development and rural revitalization. Chakrabarti (2013) opined need to expand RRB networks to provide credit access to nearly half of India's population who are without formal financial services. Sarma and Borman (2019) highlighted the pivotal role of RRBs in financial inclusion through savings mobilization, loans, insurance, and remittances, particularly in underprivileged regions. Bhandari and Basu (2023) emphasized the need to evaluate RRBs from both economic and social perspectives, advocating for their strengthening to effectively support rural India. However, Galab and Vadam (2018) opined differently founding no significant impact of RRBs on total factor productivity and customer satisfaction due to frequent policy changes undermining branch-level viability.

Further research has explored ways to improve the service quality of RRBs, with some advocating standardized operational measures and others emphasizing digitization as a key factor for enhancing customer convenience. The research of Kumar et al. (2018) and Gowda (2018) Bai (2019) Sivakumar et al. (2020) well focused on the service directions, while Ibrahim (2012), Ahmed (2015), Bhandari (2019), Antil et al. (2020), Bharti and Kumari (2022) worked majorly on the performance parameter. Manjula Bai (2019) highlighted the lack of standardized measures for service quality in RRBs, despite its critical role in customer satisfaction. Reliability, assurance, and responsiveness were identified by the researcher as key dimensions. Kumar et al. (2018) and Puttaswamy Gowda (2018) stressed the importance of internet banking and electronic services in enhancing customer convenience and rural banking networks. In the same note, Sivakumar et al. (2020) illustrated that digital marketing is critical for the survival of rural banks in a digitized era. Focusing on the performance parameter of the RRBs, Ahmed (2015) evaluated RRB performance in deposit mobilization, credit channelization, and credit-deposit ratios. Bhandari (2019) identified significant regional disparities, with North-Eastern RRBs underperforming in key metrics. Antil et al. (2020) noted efficiency improvements driven by technical, pure, and scale efficiency gains post-mergers.

Risk is inherent in the banking system. Studies, focusing on various angles, aim to assess the risks associated with the operations of rural banks. The research fraternity well explored different factors of risk. Abdelaziz et al. (2022) turned a cornerstone by exploring the interplay of credit risk, liquidity risk, and profitability in Middle Eastern and North African banks, revealing that institutional quality mitigates risks and enhances profitability. These findings offer valuable parallels for managing risks in Indian RRBs.

The Assam Gramin Vikas Bank, the largest RRB in Northeast India, exemplifies both the potential and challenges of RRBs in driving financial inclusion.

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Strengthening RRBs through better operational strategies, digital integration, and service quality improvements is seen as vital for achieving effective rural development. Recent research highlights that RRB viability is pivotal to their continued contribution to India's socio-economic progress.

Research Gap and Objectives

In the process of reviewing of the literature it is observed that although several research works were carried out in the past on the performance evaluation of RRBs in India but as far as the evaluation and the performance analysis of the Assam Gramin Vikas Bank is concerned no such substantial research work is done. Therefore, here it is an attempt to explore the performance evaluation of the Assam Gramin Vikas Bank. In order to carry out the study the following objectives have been considered. The precise objectives are as follows:

- ❖ To understand the profile network of branch expansion, employee per branch, districts and population covered by the Assam Gramin Vikas Bank.
- ❖ To understand about the deposit mobilization, credit advances and business, and the priority and the non-priority sector lending of the Assam Gramin Vikas Bank.

- ❖ To investigate the non-performing assets, recovery, income and expenditure, profitability and its determinants.

RESEARCH METHODOLOGY AND MATERIALS

The AGVB operating in the state of Assam is the focus area of the research. For the purpose of the proposed study the researcher has considered all the branches primarily for the analysis of performance evaluation.

The key sources of data collection are done from the financial statements compiled by the head office of the AGVB located in Guwahati. Most of the study variables are calculated by the researcher on the basis of the financial statements data published by the Bank. Certain other required literature and the websites are also checked. The study has covered ten years data from 2013–2014 to 2022–2023 in order to analyze the position of the Bank. The current research is descriptive (Chawla and Sondhi, 2011) in nature concentrating at the period where the Government policy is very stretchy towards merger and amalgamation. Emphasizing the essentially, the study assessed the Assam Gramin Vikas Bank position in depth using statistical tools like multiple regression model, mean and the standard deviation wherever felt needed.

RESULTS

Branch Network

During the nationalization period there were only 85 banks (Thingalaya, 1987) in India. The creation of RRBs in 1975 reversed the movement. It was observed that the population served per branch of RRBs was quite high in 2000–01, which was roughly 84.6 thousand, but that had marginally improved to the figure of 77.3 thousand populations served per branch in 2010–11. It was also observed that the situation is enormously poor when compared with the commercial bank population (The population served the commercial banks in 2010–11 was 18 thousand (IBA, 2011). With regard to AGVB in 2013-14 the number of branches of AGVB was 396 branches which increased to 468 branches in 2022-23 and in percentage figure it increased by around 18.18 percent. Similarly, the number of rural branches of the AGVB increased from 299 branches to 368 branches, and it's increased in terms of percentage figure is 23.08 percentage.

Table 2: Branch Network of Assam Gramin Vikas Bank

Year	Number of Rural Branches	Number of Non-Rural Branches	Total Number of Branches	Number of Districts Covered	Number of Employee Per Branch	Population Covered Per Branch*
2013-14	299	97	396	25	5.15	78802
2014-15	308	98	406	25	5.28	76861
2015-16	309	101	410	31	5.18	76111
2016-17	307	107	414	30	5.01	75376
2017-18	307	107	414	30	4.70	75376
2018-19	322	97	414	30	4.27	75376
2019-20	359	114	473	33	3.90	65974
2020-21	359	114	473	34	3.49	65974
2021-22	371	101	472	33	3.81	66114
2022-23	368	100	468	34	3.97	66679

Source: Assam Gramin Vikas Bank, Annual Reports from period 2013-2014 to 2022-2023

Note: * population per branch of AGVB is calculated with the total population as per 2011 census divided by the number of branches.

Deposit and Loans & Advances of AGVB

Deposit mobilization and the credit giving are the two vital elements for any banking institution. Hadi and Bagchi (2006) evaluated the performance analysis of RRBs in the country and in particular in the state of West Bengal. The authors study accessed on the progress of the RRBs in West Bengal in terms of expansion of deposit, credit and branches up to the period of June 2001. Similarly, Shivappa (2007) in his research examined on advances, deposits and financial performance of the RRBs in the country and covered various theoretical and other related aspects.

The CD ratio of the AGVB was 57.04 percent in 2013-14 which has fallen to 48.01 percent in 2022-2023. The continuous decrease of CD ratio is a matter of concern to the Bank in the proper expansion of its business. Similarly, it is observed that deposit per employee has increased over the years from 3.15 crores to 6.66 crores. In case of loans and advances per

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employee its increased is from Rs. 1.80 crores to Rs. 3.20 crores. Over the years deposit increased by 2.11 times whereas loans and advances increased by only 1.77 times. In case of deposit per branch and the loans and advances per branch the observation is that deposit per branch increased from Rs. 16.24 crores to Rs. 26.47 crores and augmented by 1.63 times. Similarly, over the years loans and advances per branch increased from Rs.9.26 crores to Rs. 12.71 crores and increased by 1.37 times. The credit per branch and the credit per employee is less than the deposit per employee and deposit per branch in both the cases. Over the same period business per employee and business per branch increased from Rs. 4.95 crore in 2013-14 to Rs.9.86 crores in 2022-23 (business per employee) and Rs. 25.50 crores in 2013-14 to Rs. 31.24 crores (business per branch) in 2022-23. Over the years business per employee increased by 1.99 times and the business per branch increased by 1.63 times.

Table-3: Deposit & Credit Scenario of the Assam Gramin Vikas Bank

Year	CD Ratio	(Amount in Crores)					
		Deposit Per Employee	Loans & Advances Per Employee	Business Per Employee	Deposit Per Branch	Loans & Advances Per Branch	Business Per Branch
2013-14	57.04	3.15	1.80	4.95	16.24	9.26	25.50
2014-15	52.72	3.46	1.82	5.28	18.27	9.63	27.91
2015-16	55.98	3.48	1.95	5.42	18.00	10.08	28.08
2016-17	52.34	3.82	2.00	5.82	19.14	10.02	29.16
2017-18	46.02	4.38	2.01	6.39	20.55	9.46	30.01
2018-19	39.39	5.24	2.06	7.30	22.36	8.81	31.17
2019-20	36.36	6.02	2.19	8.21	23.51	8.55	32.05
2020-21	38.26	6.97	2.67	9.64	24.33	9.31	33.64
2021-22	42.86	6.57	2.80	9.37	25.04	10.69	35.72
2022-23	48.01	6.66	3.20	9.86	26.47	12.71	39.18
Average	46.90	4.98	2.25	7.22	21.39	9.85	31.24
SD	7.52	1.49	0.47	1.92	3.44	1.18	4.07

Source: Calculated & Compiled from the Annual Reports of Assam Gramin Vikas Bank from period 2013-2014 to 2022-2023

Priority and Non-Priority Sector

Pandey (1968) recommended for the utilization of bank credit in appropriate direction on the absence of which adverse effects in the economy will emerge. The Raj Committee (RBI, 1977) suggested 40 percent of lending to the priority sector. Kumar (2008) observed that due to the amalgamation RRBs in the country the quantum of credit provision of banks has been a matter of serious concern.

In 2013-14 outstanding advances of the AGVB in the priority sector was Rs.3118-32 crores which increased to Rs.5187.25 crores respectively in 2022-23. Over the years the percentage growth in priority sector is 19.21 percent. The percentage of loans advances allocated in the priority sector in 2013-14 was 85.02 percent which further improved to 87.22 percent in 2022-23. Over the years a continuous rising is observed in the increase of percentage of loans advances in the priority sector. On the other hand, in the year 2013-14 outstanding advances in the non-priority sector was Rs.549.38 crores which increased to Rs. 760.18 crores in 2022-23. Over the years the percentage growth in the non-priority sector increased by 9.76 percent. It is also seen that percentage of total outstanding advances in non-priority sector has fallen from 14.98 percent in 2013-14 to 12.78 percent in 2022-23.

Table-4
Priority and Non-Priority Sector Loans and Advances of AGVB

Year	(Amount in Crores)					
	Outstanding Advances in Priority Sector	Percentage Growth of Priority Sector Advances	Percentage of Total Outstanding Advances in Priority Sector	Outstanding Advances in Non-Priority Sector	Percentage Growth of Non-Priority Sector Advances	Percentage of Total Outstanding Advances in Non-Priority Sector
2013-14	3118.32	20.52	85.02	549.38	15.40	14.98
2014-15	3368.64	8.03	86.13	542.69	-1.22	13.87
2015-16	3600.44	6.88	87.13	531.75	-2.02	12.87
2016-17	3644.91	1.24	87.87	502.93	-5.42	12.13
2017-18	3442.89	-5.54	87.95	471.92	-6.17	12.05
2018-19	3225.66	-6.31	88.47	420.35	-10.93	11.53
2019-20	3472.99	7.67	85.90	569.91	35.58	14.10
2020-21	3779.44	8.82	85.83	624.16	9.52	14.17
2021-22	4351.51	15.14	86.27	692.59	10.96	13.73
2022-23	5187.25	19.21	87.22	760.18	9.76	12.78
Average	3719.21	7.57	86.78	566.59	5.55	13.22
SD	618.49	9.23	1.11	101.74	13.72	1.11

Source: Calculated & Compiled from the Annual Reports of Assam Gramin Vikas Bank from period 2013-2014 to 2022-2023.

NPA, Recovery and the Profitability Position of AGVB

Pati (2005), in his study, considered the commercial viability of regional rural banks in general and the particular Subansiri Gaonlia Bank of Assam. The author suggested that the right management of spread and burden could be fruitful in improving the performance of RRBs like Subansiri Gaonlia Bank and others. Kumar and Sharma (2011) in their study on the performance of Himachal Gramin Bank and Parvatiya Gramin Bank it is observed that there is more

conservativeness in the Parvatiya Gramin Bank when compared Himachal Gramin Bank concerning non-performing assets (NPA) management. Similarly, Sufian and Noor (2012) studied on the performance of banks operating in period from 2000-2008. Similarly, Nandal and Singh (2002) viewed that there should be proper recovery of loan amount from the

loaner otherwise banking business get suffer and in turn it would harm overall economy. With consideration to above it is essential to evaluate the operation of the banking institution like the AGVB in similar lines.

From table-5 it is observed that in 2013-14 the percentage of expenditure to total income was 94.03 percent which has increased to 114.11 percent in 2022-23 and this is not at all a good sign to the bank. Continuous rising of expenditure affects in the income earning and distresses its profitability. At the same time percentage of borrowing to total income of the AGVB is also rising by and large. It was 21.87 percent in 2013-14, and it has mounted to the extent of 81.50 percent in 2022-23. It can be distinguished that because of rising expenditure and borrowing components there is a huge impact on the profitability aspect of the AGVB.

Table-5: Financial Health in Terms of Income, NPA and the Recovery Image of the AGVB

Year	Percentage expenditure to total income	Percentage of Borrowing to Total income	Percentage of Profit to Total income	Percentage of Gross NPA to Total Advances	Recovery Percentage
2013-14	94.03	21.87	5.97	9.91	72.05
2014-15	90.51	60.52	9.49	9.18	73.98
2015-16	94.78	78.84	5.22	20.44	71.11
2016-17	100.15	81.84	-0.15	25.9	58.24
2017-18	119.06	53.30	-19.06	37.87	61.2
2018-19	106.43	42.05	-6.43	46.95	51.8
2019-20	122.06	9.52	-22.06	37.14	68.19
2020-21	111.70	51.36	-11.70	33.46	65.67
2021-22	100.00	100.17	0.00	27.74	65.82
2022-23	114.11	81.50	-14.11	19.68	68.01
Average	105.28	58.10	-5.28	26.83	65.58
SD	11.06	28.51	11.06	12.33	7.23

Source: Calculated & Compiled from the Annual Reports of Assam Gramin Vikas Bank from period 2013-2014 to 2022-2023

Determinants of Profitability: The regression model is used for understanding the profitability aspect of the bank (Makkar and Hardeep, 2018). Similarly, for AGVB also in order to assess the interdependency among the factors, the multiple equation can be written as –

$$\pi = b_0 + b_1 (TD) + b_2 (TLA) + b_3 (TI) + b_4 (TB) + b_5 (NPA) + b_6 (C/D) + U_t$$

Where, π = Profit, TD= Total Deposits, TLA= Total Loans & Advances, TI=Total Investment, TB = Total Borrowing, NPA= Non-Performing Assets, C/D = Credit-Deposit Ratio, U_t = Error Term, b_0 = Intercept and $b_1 = (i=1,2, 3, \dots,6)$ = Co-efficient of regression parameters

Here the dependent variable's variation viz. profitability of AGVB is explained by independent variables to 97 percent ($R^2=0.967$). Similarly, Adjusted R Square is around 90 percent. However, a Significant F-Value of 0.025 signifies that the value is relatively smaller than the assumed critical level of 0.05 (i.e., 5% level of significance). It shows that there is a significant relationship between dependent and independent variables in the multiple regression models. Overall, it indicates that p-values of the independent variables are smaller than the value for the significance level of 0.05 (i.e., 5% level of significance). From the above it can be obviously interpreted that there is a significant relationship between the profitability variables of the Assam Gramin Vikas Bank.

Table -7: Data Relating to Profitability

(Amount in Crores)

Year	Profit (π)	Total Deposit (TD)	Total Loans & Advances (TLA)	Total Investment (TI)	Total Borrowing (TB)	Total NPA (NPA)	C/D Ratio (C/D)
2013-14	38.08	6429.97	3667.7	3135.67	139.60	363.58	57.04
2014-15	65.34	7418.87	3911.34	4177.12	417.83	339.14	52.72
2015-16	38.61	7381.96	4132.19	4041.98	583.21	844.51	55.98
2016-17	-1.13	7924.22	4147.84	4493.27	615.14	1074.34	52.34
2017-18	-138.2	8507.47	3914.81	5092.38	386.43	1482.69	46.02
2018-19	-47.53	9257.46	3646.01	5338.63	310.60	1711.88	39.39
2019-20	-187.68	11118.4	4042.91	6798.66	81.02	1301.6	36.36
2020-21	-114.32	11510	4403.6	7579.14	501.80	1473.28	38.26
2021-22	0.02	11818	5044.1	7253.34	914.20	1399.29	42.86
2022-23	-137.96	12388.2	5947.43	7173.45	796.62	1170.17	48.01

Source: Compiled from the Annual Reports of Assam Gramin Vikas Bank from period 2013-2014 to 2022-2023.

Table-S: Regression Analysis

SUMMARY OUTPUT								
<i>Regression Statistics</i>								
Multiple R	0.9834411							
R Square	0.9671564							
Adjusted R Square	0.9014692							
Standard Error	28.161562							
Observations	10							
ANOVA								
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>			
Regression	6	70062	11677	14.72	0.025			
Residual	3	2379	793.1					
Total	9	72441						
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	340.12115	654.7	0.519	0.639	-1744	2424	-1744	2423.77
TD	0.1826121	0.081	2.268	0.108	-0.07	0.439	-0.074	0.43884
TLA	-0.306266	0.127	-2.41	0.095	-0.71	0.098	-0.71	0.09765
TI	-0.178482	0.066	-2.69	0.075	-0.39	0.033	-0.39	0.033
TB	0.4822989	0.086	5.62	0.011	0.209	0.755	0.209	0.75539
NPA	-0.164629	0.05	-3.27	0.047	-0.32	-0	-0.325	-0.00447
C/D	3.3504127	12.31	0.272	0.803	-35.8	42.52	-35.82	42.5231

Source: Calculated by the Researcher on the basis of the Data Presented in Table-7

DISCUSSION

It is observed that from the period 2013–2014 to 2022–23, the total number of branches increased for the AGVB to 72 branches. It increased from 396 branches in 2013–2014 to 468 branches in 2022–23. Over the same time period, the number of rural branches increased to 69 branches, and non-rural branches increased to 3 branches only. It can be said that AGVB is putting more attention into the establishment of rural branches than non-rural branches. The average number of employees per branch was 5.15 in 2013–14, and it has decreased to 3.97 in 2022–2023. It can be said that the staff norms, i.e., 4.2 staff per branch, as recommended by the Agarwal Committee (2000), have not been satisfied. COVID-19 might be one of the reasons for the rate of fall in average employees of the bank due to its low recruitment policy. The CD ratio reflects the ratio of credit offered to its deposit. The CD ratio of the AGVB in 2013–14 was 57.04 percent, and it has come down to 48.01 percent in 2022–23. The mean CD ratio over the years was observed to be 46.90 percent, and it is not at all healthy. The CD ratio of other scheduled commercial banks in the country is more than 78 percent (RBI, 2023) whereas the AGVB has a very lower range of CD ratio. This significantly low C/D ratio of the AGVB may be attributed to the continuous fall in the recovery percentage of loans. The percentage growth of the priority sector in 2013–14 was 20.52 percent, but it has started falling in other succeeding years. From 2017 to 2019, the percentage growth of the priority sector was negative. In 2017–18, it was negative 5.54 percent, and in 2018–19, it was negative 6.31 percent, respectively. Of course, since 2021, it has started to increase in double digits, i.e., 15.14 percent in 2021–22 and 19.21 percent in 2022–23, respectively. It is observed that in the study period overall, there is an increase in the percentage of

gross NPA to total advances, and on the other hand, there is a virtually continuous fall in the recovery percentage of loans and advances. The percentage of gross NPA to total advances was 9.91 percent in 2013–14, which has reached the extent of 19.68 percent in 2022–23, exhibiting an average of 26.83 percent over the years. At the same time, the recovery rate in 2013–14 was 72.05 percent, and it has fallen to the border of 68.01 percent in 2022–23. The average rate of recovery over the years was found to be 65.58 percent. It was found that the percentage of profit to total income was 5.97 percent in 2013–14, which has fallen to the range of negative 14.11 percent in 2022–23. From 2016–17 to 2022–23, the bank has constantly suffered losses. The average percentage of negative profit or loss over the study period is 5.28 percent. The productivity aspects, as indicated by the percentage of profit per volume of business, investment, and total assets, are not healthy and need attention from the management side. The regression model of the profitability analysis of the AGVB demonstrates that there is a significant relationship between dependent and independent variables. The dependent variable's variation, viz., profitability of the AGVB, is explained by independent variables to be 97 percent ($R^2 = 0.967$). Similarly, adjusted R square is found to be around 90 percent.

The literature reviewed indicated before exhibited that imparting banking know how, skills, manpower planning, product diversification, etc. improves productivity, profitability, and the performance of the banking business. The AGVB has been facing issues of profitability and productivity in recent years that need to be carefully addressed. Similarly, mergers and amalgamations have improved the performance of other RRBs in the country, as indicated by the previous

studies, but with regard to the AGVB, although the volume of business, loan expansion, etc. have improved, it also needs to further improve its CD ratio, income, and cut its excess expenditure by improving operational cost management to become more productive and profitable.

CONCLUSION

Although the AGVB has been able to expand its banking branches both in rural and urban areas, including its volume of business, priority sector lending, etc., profitability and productivity still need to be enhanced for its long-term sustainability. Both the economic and social profitability of the bank must go hand in hand. Social profitability alone cannot succeed if proper attention is not paid to the economic earnings of the bank. The AGVB needs to reduce its rising expenditures and continuously improve its NPA and recovery level. It must have enhanced its proficiency and effectiveness. At the same time, it is also to be thoroughly inspected that COVID-19 might be one of the prime reasons for its low performance in recent years. Understanding its low performance, the AGVB can yield some managerial implications for improving its efficacy.

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