

Does Amalgamation/Merger is Right Decision for Revamping the Regional Rural Banks- An Analysis of Haryana State

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Abstract—A new ray of hope in the history of rural banking began with the enactment of Presidential ordinance on September 26th 1975 on Regional Rural Banks (RRBs). RRBs were formed to cater the needs of rural population which are excluded from mainstream banking. Due to cultural diversity and geographical variation, rural population needs are region specific, which lead to establishment of RRBs. Non viability, have been a serious issue for these institutions since inception. Various reforms and policies had been formulated with the concern for improving viability but each reform was also seen as thinning the objective of RRBs for which they came into existence. Reforms implemented were insufficient to improve the viability of these institutions. Committee's recommendations and policy makers suggested merger/amalgamation as only answer to meliorate the dwindling performance of these institutions. Process which started in 2005 -06 brings down number of RRBs from 196 to 56¹ in 2015, leaving 11 states with one RRB each. Haryana Kshetriya Grameen Bank (Bhiwani) was one among five RRBs **with which tale** of regional rural banks started in 1975. It is apt to study the performance of Sarvya Haryana Grameen Bank [formed after merging four grameen banks into one RRB (2014) operating in the state of Haryana]. Author tries to study the growth pattern of Regional Rural Banks operating in Haryana state from 2002-03 to 2013-14 so that to find out are only loss making RRBs in Haryana, merged to tackle viability issues? This paper makes an attempt to study the pre and post amalgamation performance of RRBs operating in Haryana state. The study concluded that decision of merger improved the financial performance of these institutions. Policy makers fail to explain how merger will help in improving regional disparities. But there are certain other issues which should be taken care for improving RRBs performance.

Keywords: Regional Rural Banks, Amalgamation/Merger, Performance.

¹ Annual Report of NABARD Mumbai, 2015