

## **A brief information about income expenditure pattern of Regional Rural Banks**

**DR. PURUSHOTTAM KUMAR JOSHI**

*Lecturer, Department of Agricultural Economics  
S.C.R.S Govt. Collage, Sawaimadhopur, Rajasthan, India*

**ABSTRACT** –Beginning with the co-operative credit societies started during the early years of the twentieth century, various types of institutional credit agencies have been established to cater to the needs of farmers. Even after 80 years of their existence, it has been found that the co-operatives could not adequately meet the credit requirements of the farmers, and particularly the marginal and small farmers as also other weaker sections of the rural society. In view of the limitations of the co-operatives and growing credit needs of developing agriculture and allied activities, the Government directed the nationalised commercial banks as a matter of policy to earmark a certain portion of their funds for financing agriculture and allied activities. Despite the tremendous growth of agricultural credit from co-operatives and commercial banks in the country, it was estimated that till 1975 the non-institutional credit accounted for about two thirds of the total agricultural credit in the country. This article contains the information about the growth and composition of income, expenditure, profit and loss.

**KEYWORDS** –Income, Expenditure, Saving,

**INTRODUCTION** –

### **1. GROWTH AND COMPOSITION OF INCOME**

Item-wise income during different years is given in Table No.1. This table shows that the total income of the bank increased from about Rs. 1251 in 1982 to about Rs.80671. It is further revealed from the table that the major source of income is the interest on term loan which constituted about 99 percent in 1982, 80 percent in 1983, 75 percent in 1984 and 70 per cent in 1985. Other sources of income (other than interest) are almost negligible.

### **2. GROWTH AND COMPOSITION OF EXPENDITURE:**

The item-wise expenditure during different years is given in table no.2. This table shows that the total expenditure by the end of 1982 was only about Rs. 8355 which increase to about Rs. 53456 in 1983, Rs. 76928 in 1984, and further to Rs. 97227 in 1995. Thus there is continuous increase in the banks expenditure over the period under reference. The major items of expenditure are interest paid on deposits and salaries which together accounted for over 92 per cent of the total expenditure during 1985.

### **PROFIT & LOSS**

The year wise total income and total expenditure and consequent profit or loss of the operation of the bank branch under study are given in table no.3. This table shows that during four years under reference the income and expenditure of the bank branch

had gone up many times but the growth of expenditure surpassing that of income in all the years except in 1984 where income slightly surpassing the expenditure. The loss incurred in 1982 was Rs. 7104 which increased to Rs.16556 in 1985. If the

existing conditions prevail the bank cannot function profitably in years to come. Thus there is an urgent need to take timely measures to check the losses of the bank under study.

**TABLE - Item-wise income during different years in rupees:**

ITEM	1982	1983	1984	1985	
(i)	Interest collected on demand loan	6.80 (0.54)	1166.00 (3.04)	4945.00 (6.39)	9715.00 (12.08)
(ii)	Interest collected on term loan	1244.00 (99.45)	30677.00 (80.04)	58233.00 (75.31)	56622.00 (70.18)
(iii)	Interest on other bank	--	3791.65 (9.89)	10587.00 (13.69)	13747 (17.04)
(iv)	Bill Collection	--	--	35.50 (0.04)	77.55 (0.09)
(v)	Evaluation fees	--	2589.80 (6.75)	3521.00 (4.55)	440.00 (0.54)
(vi)	Miscellaneous	--	100.77 (0.26)	--	33.00 (0.04)
<b>TOTAL</b>		1250.80 (100)	38325.22 (100)	77321.50 (100)	80670.55 (100)

**NOTE:** Figures in brackets indicated percentage to total.

**TABLE – Operational results of the bank branch under study:**

INCOME & EXPENDITURE (Rs.)	1982	1983	1984	1985
Income	125.80	38325.22	77321.50	80670.55
Expenditure	6354.76	53455.90	76928.00	97226.90
<b>PROFIT /LOSS</b>	-7103.96	-151130.68	+393.50	-16556.35

**NOTE:** Minus (-) Indicates loss  
Plus (+) Indicated profit

**Conclusion:** The study shows that expenditure is exceeding over income due to some unavoidable expenditure items. The major objective of launching Regional Rural Banking system was to create employment in rural areas as to give better life to rural people and to enhance rural & cottage industries. Therefore the main emphasis of

banks was to generate income to priority sector by giving financial support, not to earn profit.

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