

Efficacy of Andhra Pragathi Grameena Bank (APGB) in Andhra Pradesh: A Conventional Analysis

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Abstract – Regional Rural Banks are established under the provisions of an ordinance promulgated on the 26th September, 1975 and the RRB Act, 1976 with an objective to ensure sufficient institutional credit for agriculture and other rural sectors. Reforms and mergers introduced by the Government of India in consultation with Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD) in the years 1994-95 to 2005-06 have yielded positive results in respect of key performance indicators such as number of banks and branches, capital composition, deposits, loans, loans and the trend of investments. At present, most of the regional rural banks are facing the problems of overdue, recovery, nonperforming assets and other problems. Therefore, it is necessary to study financial performance of RRBs in India. This paper attempts to analyze the financial performance of Andhra pragathi Grameena Bank (APGB) during the period 2014-15 to 2016-17. The study is based on secondary data collected from annual reports of APGB, NABARD and RBI. An analytical research design of Key Performance Indicators Analysis such as number of branches, deposits, loans, investments and growth rate index is followed in the present study. The study is diagnostic and exploratory in nature and makes use of secondary data. The study finds and concludes that performance of APGBs has significantly improved.

Keywords – APGB, Regional Rural Banks, Key Performance Indicators, Growth Rate, Rural Economy.

I. INTRODUCTION

Regional Rural Banks have been in existence for around 36 years in the Indian financial scene. The institution of Regional Rural Banks (RRBs) was created to meet the excess demand for institutional credit in the rural areas, particularly among the economically and socially marginalized sections. The Banking Commission (1972) recommended establish an alternative institution for rural credit and ultimately Government of India established Regional Rural Banks as a separate institution basically for rural credit on the basis of the recommendations of the Working Group under the Chairmanship of M. Narashimham. In order to provide access to low-cost banking facilities to the poor, the M. Narashimham Working Group (1975) proposed the establishment of a new set of banks, as institutions which — combine the local feel and the familiarity with rural problems which the cooperatives possess and the degree of business organization, ability to mobilize deposits, access to central money markets and modernized outlook which the commercial banks have Subsequently, the Regional Rural

Banks were setup through the promulgation of RRB Act of 1976. The RRBs Act, 1976 succinctly sums up this overall vision to sub-serve both the developmental and the redistributive objectives. The RRBs were established — with a view to developing the rural economy by providing, for the purpose of development of agriculture, trade, commerce, industry and other productive activities in the rural areas, credit and other facilities, particularly to small and marginal farmers, agricultural labourers, artisans and small entrepreneurs, and for matters connected therewith and incidental theretol. Their equity is held by the Central Government, Concerned State Government and the Sponsor Bank in the proportion of 50:15:35 respectively.

The mandates of these rural financial institutions were:

- * To take banking to the doorsteps of the rural masses, particularly in areas without banking facilities;
- * To make available cheaper institutional credit to the weaker sections of society, who were to be the only clients of these banks?
- * To mobilize rural savings and canalize them for supporting productive activities in the rural areas;
- * To generate employment opportunities in the rural areas
- * To bring down the cost of providing credit in rural areas

II. REVIEW OF LITERATURE

A number of studies have been conducted to see the functioning and performance of Andhra Pragathi Grameena Bank. The literature available in the working and performance of APGB is a little limited.

Patel and Shete (1980) of the National Institute of Banking Management made a valuable analysis of performance and prospects of RRBs. They also gave a comparative picture of performance in deposits, branch expansion and credit deployment of the cooperative banks, commercial banks and RRBs in a specified area. This was an eye opener.

For many researcher engaged in this field of rural credit.

Thirumal R. (2012) conducted a study on “Factors Influencing Profitability of Regional Rural Bank (RRBs)”, the study reviled that Regional Rural Banks which emerged as an important financial institution on India for meeting the rural credit requirement. It is always argued that RRBs have not been able to earn much profit in view of their policy of restricting their operation to target group. In spite of that the RRBs made a remarkable performance.

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Objectives of the Study

To measure financial performance of Andhra Pragathi Grameena Bank (APGB).

To analyze the key performance indicators of Andhra Pragathi Grameena bank.

To evaluate progress of the APGB during 2014-15 to 2016-17.

To study the growth-pattern of Andhra Pragathi Grameena bank.

To make important suggestions to improve the working of APGB.

III. RESEARCH METHODOLOGY

The financial performance of the APGB has been analyzed with the help of key performance indicators. The year 2015-16 was taken as the current year and year 2014-15 was base year for the calculation of growth rate. Analytical Techniques Employed-Growth rate analysis was undertaken with a view to studying financial performance related to the APGB.

IV. RESEARCH DESIGN

The present study is diagnostic and exploratory in nature and makes use of secondary data. The study is confined only to the specific areas like number of branches, district coverage, deposits mobilized, credits and investments made by the Andhra Pragathi Grameena Bank (APGB) for the 3 years period starting from 2014-15 to the year 2016-17.

V. METHOD OF DATA COLLECTION

The present study is empirical in character based on the analytical method. The study is mainly based on secondary data which is collected, compiled and calculated mainly from annual reports of the APGB. Other related information collected from journals, conference proceedings and websites.

VI. ECONOMIC SCENARIO

- The Bank has a wide network of **530 branches** spread over 5 districts namely 1. Anantapur, 2.Kadapa, 3.Kurnool, 4.Nellore, 5.Prakasam and as on date **8 Regional Offices** were set up for administrative convenience.
- The Total Business of the Bank touched **Rs. 21,271 Crore** as on 31.03.2017, with a quantum jump of **Rs.3,432 Crore** over the corresponding period last year (31st March, 2016).
- The Bank achieved a Deposit Level of **Rs.11,554 Crore** as on 31.03.2017, with a quantum increase of **Rs.1,959crore** over the previous year registering YoY growth rate of **20.42%**.

- The outstanding Advances of the Bank reached the level of **Rs.9,717 Crore** as on 31.03.2017 with a quantum increase of **Rs. 1473 crore** over the previous year registering YOY growth rate of **17.87%**.
 - i. The Bank earned a Net Profit of Rs. 173.88crore for financial year 2016-17.
 - ii. The Total Net Worth of the Bank stood at Rs. 1811.56crore as on 31.03.2017, which is highest among all RRBs in the Country.
- Fulfilling the established aim, the Bank attached greater emphasis for lending to priority sector and the Priority Sector Advances touched a level of **Rs.8,628 Crore** as on 31.03.2017, which accounts for **88.79%of Gross Advances** as against the mandatory level of 60%.
- The Bank's exposure to Agriculture sector, which is one of the top most priorities of the Bank, reached a level **Rs. 7,480 crore** as on 31.03.2017, constituting **77% of Gross Advances** as against the mandatory level of 18% stipulated by RBI.
- Credit-Deposit Ratio of the Bank stood at **84.10%**.
- **The Bank was offering Interest rate of 7.75% pa on Deposits for Senior Citizens (7.00% pa to others) which is highest among all the the Public Sector Banks.**
- Bank has extended Financial Assistance to weaker sections, SF,MF,AL to the tune of **Rs.5,638 Core** constituting **58.02%**.
- The Bank has opened **30New Branches** during the financial year 2016 - 17.
- Keeping the empowerment of rural women in the top most agenda, the Bank has linked **94,156 Self Help Groups** with outstanding loan amount of **Rs. 2,233 Core** as on 31.03.2017.
- The Bank's Business outreach further widened with total number of customers growing to **62.80 lakh** with the deposit accounts at about 51.65 lakh while loan accounts are at about 11.15 lakh.
- The Credit disbursements of the Bank for 2016-17 are **Rs. 8,061 Core**, of which disbursements to Priority Sector Advances are Rs. 7,024 Core, Agriculture Advances Rs. 6,311 Core, and MSME Rs.580 Core.
- The Bank has issued **5,76,126 Kisan Credit Cards** involving an amount of **Rs. 4,964 crore. APGB.**

The thrust areas of the Bank for the current financial year 2017-18.

- A. The Bank plans to open 30 new branches during the financial year 2017-18.
- B. The Bank is aiming a business level of Rs. 24,600crore with Deposits at Rs.12,940 crore and Advances at Rs. 11,660crore by 31.03.2018.
- C. The Bank is aiming for 40% of CASA deposits out of total deposits during the year.

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- D. Special emphasis on mobilization of small savings in the form of normal SB accounts, Basic Savings Bank Deposit Accounts, Recurring Deposit accounts etc.
- E. Emphasis will be on improving the Housing and MSME loans Portfolio.
- F. Recovery of loans will be the major priority for the Bank during the current financial year as the prompt repayment would enable the farmers to get the benefit of incentive in interest.
- G. Enrolment of maximum number beneficiaries under Social Security Schemes “Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Atal Pension Yojana (APY) to pass the benefit to the unorganized economic group.

We thank all the customers for extending their patronize and support in transforming APGB as One of the Best Regional Rural Bank.

VII. SHARE HOLDERS AND SHARE CAPITAL AND THE PRESENT POSITION

The Paid up Capital of the Bank continues to be Rs.4234.26 lakh, contributed by the Government of India, Sponsor Bank (Syndicate Bank) and the Government of Andhra Pradesh in the ratio of 50:35:15 respectively. As a part of restructuring process, Additional Capital as Share Capital Deposit of Rs.3934.26 lakh was infused by the shareholders in the ratio mentioned above. As per the NABARD guidelines vide their LR No. NB.IBDD.RRCBD/1637/316 (Gen)/2015-16 and GOI Notification dated 04th February 2016 with regard to conversion of Bank’s Share Capital Deposit into Share Capital, with the permission of the Board vide Board Note (BBC) no. 6/2016 dated 31.03.2016, the Bank has converted the Share Capital Deposit amount of Rs.39,34,26,000.00 into Share Capital at a face value of Rs.10/- each.

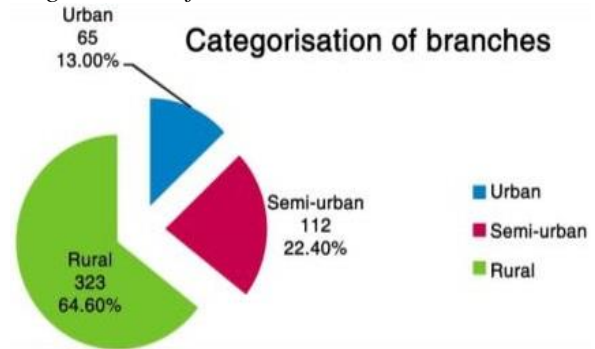
Contributors	Paid up Capital (Rs. in lakh)
Central Government	2117.13
Sponsor Bank	1481.99
Government of Andhra Pradesh	635.14
Total	4234.26

Branch Network

The Bank has a network of 500 branches, comprising of 323 Rural, 112 Semi-Urban and 65 urban branches. The District-wise break-up of branches is given in the following table.

Population Category	District					Total
	Ananta pur	YSR District	Kur nool	Nellore	Praka sam	
Rural	82	74	61	50	56	323
Semi-urban	16	21	22	22	31	112
Urban	14	14	19	12	6	65
Total	112	109	102	84	93	500
Regional Office	2	1	2	1	1	7

Categorisation of the Branches



The comparative position of deposits as at 31.03.2016 vis-à-vis the previous year ended March 2015 is as below (Rs. in lakh)

Sl. No.	Category of Deposits	March 2015 (Amount)	March 2016 deposits	%increase on March 2015	% share to total deposits as on 31.03.2016
1	Demand Deposits	300530	317840	5.76	33.13
2	Term Deposits	480794	641625	33.45	66.87
3	Total Deposits (1+2)	781324	959465	22.80	100.00

Deposits

Total Deposits of the Bank reached a level of Rs.9594.65 Crore as on 31st March 2016 in comparison to the level of Rs.7813.24 Crore of deposits as on 31st March 2015. The net increase in deposits was to the tune of Rs.1781.41 Crore registering a growth rate of 22.80%. The average deposits rose by Rs.1860.21 Crore registering a growth rate of 28.74% during the year 2015-16 over the corresponding period previous year. The share of Demand Deposits stood at 33.13% of Total Deposits. Per Branch Deposits increased from Rs.1662.39 lakh to Rs.1918.93 lakh despite opening of 30 new branches during the year 2015-16. Deposits per employee rose to Rs.372.17 lakh as on March 2016, as against Rs.368.38 lakh as on March 2015. The average cost of deposits reduced to 7.32 during the year 2015-16 compared to 7.60 of the previous year. The decrease in cost of deposits is due to rationalization of interest rates based on the prevailing interest rates in the market.

E. Pragathi Kisan Credit Card Scheme

The performance of the Bank in implementation of the Kisan Credit Card Scheme is furnished in the table below.

Year	Disbursements		Outstanding	
	No. of cards	Amount disbursed	No. of cards	Amount
2014-15	171314	103136.52	481203	257313.18
2015-16	468336	340798.19	536771	386565.12

The APGB is giving more importance to Agriculture sector due to the reason the APGB provide Kisan Credit Card Scheme. This scheme helps them as the farmers has to pay Interest on what they utilised moony from the credit value. This system use them for decreasing payment of

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interest value and they may draw money any time from the ATMs through Kisan Credit Cards.

Financial Statements Position for the year of 2015; 2016 and 2017:

BALANCE SHEET AS AT 31.03.2015- 2016

CAPITAL AND LIABILITIES	Schedule No	Rupees in Thousands	
		31.03.2016	31.03.2015
CAPITAL	1	423426	423426
RESERVES AND SURPLUS	2	15953380	14292738
DEPOSITS	3	95946470	78132381
BORROWINGS	4	22298417	23102739
OTHER LIABILITIES AND PROVISIONS	5	1713215	2016841
TOTAL ASSETS		136334908	117968125
CASH AND BALANCES WITH RBI	6	4934091	4137908
BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE	7	13213112	23245027
INVESTMENTS (Net)	8	34359356	16730036
ADVANCES(Net)	9	81131198	71959283
FIXED ASSETS(Net)	10	543407	275946
OTHER ASSETS	11	2153744	1619925
TOTAL		136334908	117968125
Contingent Liabilities	12	174082	110783

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2016

INCOME	Schedule No	Rupees in Thousands	
		31.03.2016	31.03.2015
Interest Earned	13	11984519	11301937
Other Income	14	1194965	637782
TOTAL INCOME		13179484	11939719
EXPENDITURE			
Interest Expended	15	7769477	6736825
Operating Expenses	16	2742435	2082461
Provisions and Contingencies	17	1006930	1465951
TOTAL EXPENDITURE		11518842	10285237
ADD Net Profit for the Year		1660642	1654482
TOTAL		13179484	11939719

BALANCE SHEET AS ON 31.03.2016 - 17

CAPITAL AND LIABILITIES	Schedule No	Rupees in Thousands	
		31.03.2017	31.03.2016
CAPITAL	1	423426	423426
RESERVES AND SURPLUS	2	17692206	15953380
DEPOSITS	3	115539055	95946470
BORROWINGS	4	20888986	22298417
OTHER LIABILITIES AND PROVISIONS	5	2000176	1713215
TOTAL		156543849	136334908
ASSETS			
CASH AND BALANCES WITH RBI	6	5716803	4934091
BALANCES WITH BANKS AND MONEY AT CALL	7	9562623	13213112

AND SHORT NOTICE			
INVESTMENTS (Net)	8	41882846	34359356
ADVANCES(Net)	9	95682079	81131198
FIXED ASSETS(Net)	10	536751	543407
OTHER ASSETS	11	3162747	2153744
TOTAL		156543849	136334908
Contingent Liabilities	12	188219	174082
Bills for Collection			

PROFIT & LOSS ACCOUNT FOR 31.03.2017

INCOME	Schedule No	Rupees in Thousands	
		31.03.2017	31.03.2016
Interest Earned	13	13253633	11984519
Other Income	14	1937368	1194965
TOTAL INCOME		15191001	13179484
EXPENDITURE			
Interest Expended	15	8964075	7769477
Operating Expenses	16	3215256	2742435
Provisions and Contingencies	17	1272844	1006930
TOTAL EXPENDITURE		13452175	11518842
ADD Net Profit for the Year		1738826	1660642
TOTAL		15191001	13179484

Financial Statements Analysis

The APGB balance sheet total amount of 2015, 2016 and 2017 is Rs. 117968125; Rs. 136334908 and Rs.156543849. The business value is increasing every on an average is 16% and the APGB Net Profit for the year of 2015:2016 and 2017 is Rs. 1654482; 1660642 and 1738826. The APGB net profit progress for the year 2015 to 2016 is only 0.4% but it improves in the year of 2017 is 4.5%. The APGB total expenditure for the year of 2017 is more than the 2015 and 2016 but it earn more net profit because the APGB performed well operational efficiency in the year 2017. Thus the management took decision to increase the branches 30 more in the year of 2017-18 and increased regional offices also from 7 to 8 centres.

CONCLUSION

To conclude, the rapid expansion of APGB has helped in reducing substantially the regional disparities in respect of banking facilities in India. The efforts made by APGB in branch expansion, deposit mobilization, rural development and credit deployment in weaker section of rural areas are appreciable. APGB successfully achieve its objectives like to take banking to door steps of rural households particularly in banking deprived rural area, to avail easy and cheaper credit to weaker rural section who are dependent on private lenders, to encourage rural savings for productive activities, to generate employment in rural areas and to bring down the cost of purveying credit in rural areas.

Thus RRB is providing the strongest banking network. Government should take some effective remedial steps to make Rural Banks viable. Regional Rural Banks plays a

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key role as an important vehicle of credit delivery in rural areas with the objective of credit dispersal to small, marginal farmers & socio economically weaker section of population for the development of agriculture, trade and industry. But still its commercial viability has been questioned due to its limited business flexibility, smaller size of loan & high risk in loan & advances. Rural banks need to remove lack of transparency in their operation which leads to unequal relationship between banker and customer. Banking staff should interact more with their customers to overcome this problem. Banks should open their branches in areas where customers are not able to avail banking facilities. In this competitive era, RRBs have to concentrate on speedy, qualitative and secure banking services to retain existing customers and attract potential customers.

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