

Agricultural Credit by Regional Rural Banks: An Empirical Study of Andhra Pragathi Grameena Bank

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Abstract: The importance of the rural banking in the economic development of a country cannot be overlooked. As Gandhiji said “real India lies in villages,” and village economy is the backbone of Indian economy. Without the development of the rural economy, the objectives of economic planning cannot be achieved. Hence, banks and other financial institutions are considered to be a vital role for the development of the rural economy in India. Regional Rural Banks (RRBs) were established in October 2, 1975 and are playing a pivotal role in the economic development of the rural India. The main goal of establishing Regional Rural Banks in India is to provide credit to the rural people who are not economically strong enough, especially the small and marginal farmers, artisans, agricultural laborers and even small entrepreneurs. The present study is a modest attempt to make an appraisal of the agriculture credit structure and the role played by RRBs in the development of rural economy. The objective of this paper is to analyze the agriculture credit and the role played by the Andhra Pragathi Grameena Bank in the agriculture and non-agriculture sector landings. The study is diagnostic and exploratory in nature and makes use of secondary data. The study finds and concludes that Andhra Pragathi Grameena Bank in India has significantly improved rural economy in Andhra Pradesh.

Keywords: Rural credit, agriculture and non-agriculture sectors, loans and advances, Reserve Bank.

1. INTRODUCTION

Activities of modern economy are significantly influenced by the functions and services of banks. Banking sector constitutes the core part of economic system. Indian economy is agricultural economy and real India lies in villages. Village economy is the backbone of Indian economy. Even after 70 years of independence, the rural economy in India is still handicapped in terms of infrastructure and other chronic problems of cultivators. In fact, economic progress and industrial development are determined by the rural sector. More than 70 percent of Indians depend on agriculture; 60 percent of industries are agro based; 50 percent of national income is contributed by rural sector and the agricultural sector is the largest foreign exchange earner to India. Such an essential and key sector is neglected by financial institutions and especially by the banks. Regional Rural Banks (RRBs) are constituted to meet the financial and banking needs of weaker sections of the rural areas with a special attention on small and marginal farmers, agricultural labourers, artisans, landless farmers, small traders, tint enterprises etc. Hence, RRBs were established in India in 1975 essentially for the purpose of taking banking service to the doorsteps of rural people particularly in places where banking facilities are not available.

In general, RRBs are commercial banks but they adopt some of the principles of cooperatives such as location in areas, work for rural population in a limited area etc. Thus they are hybrid institutes. RRBs operate under the control of two institutions, the National Agricultural Bank and Rural Development (NABARD) and Reserve Bank of India (RBI). The primary objective of this study is to analyze the performance in terms of loans provided to the Agriculture sectors and non-Agriculture sector of the country and especially various types of loans issued by the Andhra Pragathi Grameena Bank.

2. REVIEW OF LITERATURE

- The Kolka Working Group (1984) reviewed that the RRBs could mobilize considerable participation of rural peoples through their branch networks. Among many recommendations made by the group, the participation of NABARD, credit deposit ratio, the relation between sponsoring banks and the RRBs training the bank staff etc, are the most important.
- Nathan (2002), the current policies of the financial liberalization have had an immediate, direct and dramatic effect on rural credit. There has been a contraction in rural banking in general and in priority sector lending and preferential lending to the poor in particular.
- Syed Ibrahim (2010) concluded that the performance of rural banks in India has significantly improved after amalgamation process which has been initiated by the Government of India.
- Kanika and Nancy (2013) pointed out that RRBs have successfully achieved the objectives of taking bank services to the door steps of rural households particularly in banking deprived rural area, to avail easy and cheaper credit to weaker rural section of the society.
- Kuldeep Singh (2014) concludes that the efforts made by RRB in branch expansion, deposit mobilization, rural development and credit deployment in weaker section of rural areas are appreciable.
- Dr. Y.G. Baligatti (2016) his study reveals that RRBs have taken initiation to expand their branch net work and extending their area of operations, it is witnessed that though the RRBs are successful in providing banking services to unbanked area there is an imbalance growth of RRBs where prominent backward area has been neglected in providing bank credit.

ROLE OF RRBs AGRICULTURAL CREDIT:

The working Group on Rural Banks (1975) recommended the establishment of Regional Rural Banks (RRBs) to supplement the efforts of the commercial banks and cooperatives in extending credit to rural community – small and marginal farmers, landless labourers and the rural residents of small means. The RRBs and Commercial Banks started with the basic objective of providing commercial banking in the rural areas of the country, particularly in those areas and to those sections of rural society where commercial banking facilities have not been available hitherto. The RRBs have now become an integral part of the rural banking of the country and are playing a commendable role in providing credit and banking services to the rural areas in the country. The particulars relating to the deployment of total credit and share of agriculture in total credit by RRBs in the country are furnished in table –1.

Table 1: Credit Deployment by RRBs and Share of Agriculture (Rs. in Crores)

Year	Agriculture	Percentage of total loans	Non-Agriculture	Percentage of total loans	Total
2005-06	12597	38.32	20273	61.68	32870(100)
2006-07	18820	47.39	20892	52.61	39712(100)
2007-08	15170	32.05	32156	67.95	47326(100)
2008-09	17987	30.50	40997	69.50	58984(100)
2009-10	19325	28.50	48477	71.50	68802(100)
2010-11	23984	29.17	58237	69.83	82221(100)
2011-12	63823	54.84	52561	45.16	116384(100)
2012-13	75200	53.84	64452	46.15	139652(100)
2013-14	90294	53.33	79008	46.66	169302(100)

Source: Central Statistical Information Department, NABARD.

Table-1 reveals the year-wise loans issued to both Agriculture and non-agriculture sectors in the country. It is important to observe from the table that the loans issued to Agriculture sector constitute more percentage than the loans provided to the non-Agriculture sector. A two sample 't'-test was performed to determine whether the disbursement of Agriculture sector loans significantly differs from the disbursement of non-agricultur sector loans by the RRBs. The Hypotheses framed are as follows:

Ho: There is no difference in performance between the Agriculture Sector Loans and the Non- Agriculture sector loans;

H1: There is difference in performance between the Agriculture Sector Loans and the Non-Agriculture Sector loans;

The test results are given in Table-2.

Table 2: t'-Test Results for the Agriculture Sector Loans and Non-Agriculture Sector Loans by RRBs.

	Agriculture	Non-Agriculture
Mean	37466.66667	46339.22222
Variance	907860940.5	392108959.9
Observations	9	9
Pooled Variance	649984950.2	
Hypothesized Mean Difference	0	
df	16	
t Stat	-0.738249793	
P(T<=t) one-tail	0.235526667	
t Critical one-tail	1.745883669	
P(T<=t) two-tail	0.471053335	
t Critical two-tail	2.119905285	

Tables- 2 provides the result that there is strong evidence that ('t' is > 2.119905), Ho is rejected. Hence, there is difference in performance between the disbursement of Agriculture sector loans and the non-Agriculture sector loans by the RRBs.

RECOVERY PERFORMANCE:

The recovery performance of RRBs in the country is always poor. Table-3 is given as a token for evidence in this regard. During the year 2005-06, RRBs had recovered only 81.34 per cent of the total demand. Afterwards the percentage of recovery slowly decreased to 79.80 per cent in the year 2006-07; 80.81 per cent increase in 2008-09; there is a slight decrease in the year 2009-10 to 77.85 per cent and increased to 81.90 per cent in 2013-14. The recovery performance during the study period is ranged between 77.85 and 81.90 per cent. It may be inferred from the table that the recovery performance of RRBs in respect of agricultural loans is not up to the mark.

Table 3: RECOVERY PERFORMANCE OF REGIONAL RURAL BANKS (Rs. in Crores)

Year	Demand	Collection	Balance	Percentage of Recovery
2005-06	19370.17	15755.18	3614.99	81.34
2006-07	24071.58	19209.67	4861.91	79.80
2007-08	29527.04	23765.79	5761.25	80.49
2008-09	32672.05	26402.28	6269.77	80.81
2009-10	38783.46	30192.92	8590.54	77.85
2010-11	42567.32	34092.16	8475.16	80.09
2011-12	49436.69	39564.18	9872.51	81.18
2012-13	58125.64	47430.52	10695.12	81.60
2013-14	NA	NA	NA	81.90

Source: Central Statistical Information Department, NABARD.

OBJECTIVES OF THE STUDY:

The rationale of the study is to make an assessment of the performance of RRBs in deploying agricultural credit and evolve a package of measures for effective and efficient performance of RRBs. Precisely, the objectives of the study are:

- To review the historical performance of institutional agencies in deploying agricultural credit after inception of RRBs.
- To examine the progress made by Andhra Pragathi Grameena Bank Agricultural Credit in terms of credit deployment to agriculture and recovery performance in general and Andhra Pragathi Grameena Bank in Particular.

3. RESEARCH METHODOLOGY

To achieve the objectives of the study is based on secondary data. Secondary data are obtained from the published Annual Reports of RBI, NABARD and journals like Yojana, Kurukshetra etc., In order to analyze the data and draw conclusions in this study, various statistical tools like “t” test and ANOVA have been accomplished through EXCEL.

ANDHRA PRAGATHI GRAMEENA BANK (APGB):

A Profile Andhra Pragathi Grameena Bank (APGB) (the erstwhile Rayalaseema Grameena Bank) was established on 6th August, 1976 with its head office at Kadapa in the State of Andhra Pradesh under the RRBs Act, 1976. It is one among the 10 RRBs sponsored by Syndicate Bank, the lead bank of RGB. The area of operation of the bank covers three districts viz., Kadapa, Kurnool and Markapur Revenue Division of Prakasam District. The Central Government by notification bearing F.No.1/4/2006 – RRB (iii) dated 01-06-06 have amalgamated Rayalaseema Grameena Bank, Sri Anantha Grameena Bank (Functioning in Ananthapur District) and Pinakini Grameena Bank (functioning in Nellore District) merged in to a single Regional Rural Bank called Andhra Pragathi Grameena Bank (APGB) with its head office at Kadapa. The APGB is covering five districts namely; Kadapa, Kurnool, Ananthapur, Nellore and Prakasam Districts. These five districts covers the major area of Rayalaseema region which was drought prone backward area in the State of Andhra Pradesh.

Deployment of Credit to Agriculture by APGB:

Andhra Pragathi Grameena Bank plays a predominant role in financing agriculture and non-agriculture sectors. More than 50 per cent of its credit is deployed towards agriculture as reflected by table-4.

Table 4: Deployment of Credit by APGB and share of Agriculture (Rs. in Crores)

year	Agriculture	Percentage of total loans	Non-Agriculture	Percentage of total loans	Total bank Credit
2005-06	486.78	55.30	393.52	44.70	880.30
2006-07	709.57	68.61	331.44	31.83	1041.01
2007-08	1548.06	80.95	364.19	19.05	1912.25
2008-09	2005.99	80.49	486.22	19.50	2492.21
2009-10	2274.33	87.52	324.27	12.48	2598.60
2010-11	2860.93	92.21	240.67	07.79	3108.60
2011-12	2640.29	78.70	684.17	20.39	3354.46
2012-13	3301.20	78.57	900.22	21.42	4201.42
2013-14	3412.29	77.83	971.56	22.16	4383.85

Source: Annual Reports of APGB, Kadapa

Table-4 reveals the year-wise loans issued by APGB to both Agriculture and non-agriculture sectors in the Andhra Pradesh. It is important to observe from the table that the loans issued to Agriculture sector constitute more percentage than the loans provided to the non-Agriculture sector. A two sample ‘t’-test was performed to determine whether the disbursement of Agriculture sector loans significantly differs from the disbursement of non-agriculture sector loans by the Andhra Pragathi Grameena Bank . The Hypotheses framed are as follows:

Ho: There is no difference in performance between the Agriculture Sector Loans and the Non- Agriculture sector loans by APGB;

H1: There is difference in performance between the Agriculture Sector Loans and the Non- Agriculture Sector loans by APGB;

The test results are given in Table-5

Table 5: ‘t’-test Results for the Agriculture Sector Loans and Non-Agriculture Sector Loans by APGB.

	Agriculture	Non-Agriculture
Mean	2137.715556	521.806667
Variance	1112844.126	71087.6856
Observations	9	9
Pooled Variance	591965.906	
Hypothesized Mean Difference	0	
df	16	

t Stat	4.455277706	
P(T<=t) one-tail	0.000199399	
t Critical one-tail	1.745883669	
P(T<=t) two-tail	0.000398797	
t Critical two-tail	2.119905285	

Tables- 5 provides the result that there is strong evidence that (t is > 2.119), H_0 is rejected. Hence, there is difference in performance between the disbursement of Agriculture sector loans and the non-Agriculture sector loans by the Andhra Pragathi Grameena Bank.

RECOVERY PERFORMANCE OF ANDHRA PRAGATHI GRAMEENA BANK:

Repayment of loans together with interest thereon by the borrower contributes to the smooth functioning of the institutional credit. The timely recovery of loans is a prerequisite for any credit institution particularly for RRBs with their limited funds for sustained growth and existence. As revealed by the table, the recovery performance of RRBs in the country is not satisfactory. It is true in case of APGB also. To illustrate the fact, table-6 is presented.

Table 6: Recovery Performance of Andhra Pragathi Grameena Bank(Rs. in Crores)

Year	Demand	Collection	Balance	Percentage of Recovering to Demand
2005-06	517.51	389.86	127.65	75
2006-07	713.55	491.57	221.98	81
2007-08	980.73	773.99	206.74	79
2008-09	1139.85	873.34	266.51	77
2009-10	1605.17	1106.85	498.32	69
2010-11	1536.88	1021.75	515.13	66
2011-12	2427.84	1778.66	649.18	73
2012-13	2745.64	2217.39	528.25	80
2013-14	2853.85	2294.45	559.4	82

Source: Annual Reports of APGB, Kadapa

It is observed that during the period of analysis there has been gradual increase and fluctuating trend has been observed in recovery of loans by APGB. The percentage of recovery which was 75 per cent in 2005-06 increased gradually to 82 per cent by the end of the year 2013-14. However, on the whole, the performance of APGB in recovery of loans is far from satisfactory. If the loans were not properly recovered, the survival and sustenance of the bank would be questionable. Hence, the field study has been undertaken to understand the problems of borrowers in repayment of loans.

SECTOR WISE RECOVERY PERFORMANCE of APGB:

Table 7 is to flash on recovery performance of APGB in respect of agriculture and non-agriculture advances. A cursory look at the table 6 reveals that the percentage of recovery in case of agriculture loans by APGB is said to be poor when compared with the percentage of recovery in case of non-agricultural loans. It may be noted from the table that the recovery of loans by APGB during the year 2005-06 was 75per cent which gradually rose to 84 per cent in 2010-11. On the other hand the percentage of recovery of loans by APGB ranged between 73 per cent and 84 per cent during the period.

Table 7: Percentage of Recovery of Advances by Andhra Pragathi Grameena Bank (In Percentage)

Year	Agriculture	Non-Agriculture	Total Recovery
2005-06	75	90	75
2006-07	81	86	80
2007-08	79	81	81
2008-09	77	79	80
2009-10	69	77	74
2010-11	66	72	84
2011-12	69	69	73
2012-13	79	61	80
2013-14	80	64	82

Source: Annual Reports of APGB, Kadapa

4. CONCLUSION

The real growth of Indian economy lies on the emancipation of rural masses from poverty, unemployment and other socio-economic backwardness. Keeping this end in view, Regional Rural Banks were established by the Government of India to develop the rural economy. With the passage of three decades, the RRBs are now looked upon with hope for rejuvenating the rural India. In the present study, the role of RRBs in the Agriculture credits structure has been deeply analyzed. The agriculture credit structure consists of agriculture sector and the non- agriculture sector. There has been tremendous achievement in disbursing loans to both the sectors. The agriculture sector loans constituted higher in percentage throughout the study. The Andhra Pragathi Grameena Bank is one of the growing rural banks in Andhra Pradesh to serve the poor agricultural farmers. The Andhra Pragathi Grameena Bank will expand its branches all over the rural areas in Andhra Pradesh to assist the farmer's financial plight. There is a consistent improvement in all the thrust areas of the Andhra Pragathi Grameena Bank.

5. SUGGESTIONS

The growth of branches for the study period is meager which is not in tune with the population growth in absolute figures. Hence there is every need for Andhra Pragathi Grameena Bank to increase the number of branches in order to increase its network and also to facilitate the small and medium farmers.

- ❖ By analyzing the performance of the Andhra Pragathi Grameena Bank has to improve the credit facility system to agriculture farming communities.
- ❖ It needs ATMs in the rural areas as well as urban areas to enhance their Services.
- ❖ It has to expand its branches to other districts of Andhra Pradesh.
- ❖ Conducting farmers financial awareness programs in rural areas.
- ❖ Andhra Pragathi Grameena Bank can expand its services through post offices for financial transactions in the rural areas.
- ❖ In view of food security bill there is a need to increase the production of pulses and cereals under circumstances.
- ❖ The Andhra Pragathi Grameena Bank should come to the support of small and medium farmers who are the back bone of Indian agriculture and national economy.

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