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ISSN:2278-9529

GALAXY

International Multidisciplinary Research Journal

Vol. 3, Issue - V September 2014



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Impact of Institutional Loans on the Selected Beneficiaries: A Study of Andhra Pragathi Grameena Bank in Anantapuramu Dist., A.P.

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Introduction

The credit requirements of farmers can be classified into two types-productive and unproductive loans. The former include loans to buy seeds, fertilizers, implements, etc. to pay taxes to the Government and to make permanent improvements on land, such as digging and deepening of wells, fencing of land, etc. All these forms of credit help the farmers in their agricultural operations or in improving their land. Besides these, the Indian farmers often borrow for unproductive purposes, such as for celebration of marriages, births and deaths, for litigation etc. Unproductive loans raised at exorbitant rates of interest are highly improper and unjustified.

Objectives of the Study

The specific objectives of the study are:

- 1) to analyse the performance of Andhra Pragathi Grameena Bank operating in Anantapuramu district of Andhra Pradesh;
- 2) to assess the impact of Andhra Pragathi Grameena Bank finance on the generation of additional income and employment among the sample borrowers; and
- 3) to suggest measures, in the light of the empirical study, for the effective functioning of Regional Rural Banks in general and Andhra Pragathi Grameena Bank in particular.

The Universe and the Sample

Andhra Pragathi Grameena Bank has been lending for different productive purposes to a greater extent and for consumption purpose to a very limited extent. Since the main objective of the study is to examine the role of Andhra Pragathi Grameena Bank in asset creation as well as in generating additional income and employment among the poorer households and to assess the repayment performance of the borrowers, it was decided to confine the study to investment loans (to the exclusion of crop loans) in Agriculture and Allied Activities and other productive loans in Industrial and Business/Service sectors.

All the Mandals in the district are broadly classified into two groups, (a) developed and (b) underdeveloped or less developed, taking Economic Indicators such as, per capita income, percentage of gross irrigated land, etc Human Development Indicators such as female literacy, proportion of Scheduled Castes, Scheduled Tribes population, infant mortality rates etc and Infrastructure development Indicators such as total road length per 100kms, number of Hospitals Beds Rs.10,000 populations etc as basis. From the developed category three Mandals, and from the underdeveloped category other three Mandals were selected. From each selected mandal systematically one Andhra Pragathi Grameena Bank Branch was selected.

The universe of the study comprises the borrowers who were given loans for the purposes mentioned above during the period 2008-2009. While selecting the borrowers for the purpose of the study, it was thought useful to classify all the borrowers constituting the

universe into five categories on the basis of 'purpose of loan', viz., (1) Agricultural Investment Credit (Minor Irrigation, Pumpsets, Agricultural Machinery like tractors, Bullocks and Cart, Land Development etc.), (2) Allied Activities (Dairy, Poultry, Sheep rearing, Piggery, Sericulture etc.), (3) Rural Artisans (including Cottage and Village Industries) (4) Petty Trade or Small Business and (5) Professional and Self employed. Ten borrowers falling under each of these five categories were selected at each of the six selected branches on the basis of Simple Random Sampling method as sample for the study. This was done with a view to ensure that atleast 60 borrowers each are covered under each of the above five categories in both the relatively underdeveloped areas in Anantapuramu district, making a total of 300 borrowers, constitute the sample for the present study. As such, the sample borrowers chosen are fairly representative of the universe of the study.

Sources of Rural Credit

The rural sector (including agriculture) is being increasingly seen as a potential source of domestic demand; a recognition, that is shaping the marketing strategies of entrepreneurs wishing to widen the demand for goods and services. In India 70 per cent of the people are engaged in agriculture for their livelihood. Small and marginal farmers constitute majority of farming community. Given the requirement of finance in the agriculture sector, very few farmers have capital of their own to invest in Agriculture. Therefore the need arises to provide credit to rural people. Even if you look into the expenditure pattern of the farm families, they have hardly any savings to fall back on. Therefore credit, enables the farmers to advantageously use seeds, fertilizers, irrigation and machinery.

The farmer has to invariably search for a source, which supplies adequate credit. Rural credit assumes vital importance in the agro-socioeconomic development of the country both at the individual micro and at the aggregate/macro level. Its catalytic role strengthens the farming business and augments the productivity of scarce resources. Rural credit entails increased farm income levels and overall improvement in the living standards of rural masses.

The short-term and medium-term financial requirements of Indian farmers are met through loans borrowed from money-lenders, co-operative credit societies and from the Government. For long-term requirements, the farmers depend upon the money-lenders, land development banks and the Government. Broadly, there are two source of credit available to the farmers- non-institutional or private sources include money-lenders; trader and commission agents, relatives and landlords; institutional source consist of the Government and co-operatives, commercial banks including the Regional Rural Banks (RRBs).

Andhra Pragathi Grameena Bank

In the context of financial sector reforms being implemented by the Government of India, various steps have been taken to strengthen the RRBs. In order to further improve the operational viability of the RRBs and to take advantage of the economies of scale, it has been decided by the Government of India to amalgamate the three RRBs in Andhra Pradesh, sponsored by the leading Public Sector Bank-Syndicate Bank. Accordingly Central Government by notification have on 1st June 2006, amalgamated Rayalaseem Grameena Bank, Kadapa, Sree Anantha Grameena Bank, Anantapur and Pinakini Grameena Bank, Nellore into a single Regional Rural Bank called "Andhra Pragathi Grameena Bank", with Head Office at Kadapa. The area of operation of Andhra Pragathi Grameena Bank (APGB) comprises of 5 districts -Kadapa, Anantapur, Kurnool, Nellore, Prakasam. The table 1 presents the details of all which are amalgamated.

Table 1
Status of 3 RRBs before Amalgamation

Name of the RRB	Date of Establishment	Number of Branches	Area of Operation
Rayalaseema Grameena Bank Head Office, Kadapa	06.08.1976	149	Kadapa, Kurnool districts and Markapur Revenue Division of Prakasam district.
Sree Anantha Grameena Bank Head Office, Anantapur	01.11.1979	81	Anantapur district
Pinakini Grameena Bank Head Office, Nellore	11.06.1982	102	Nellore district and the Ongole and Kandukur Revenue Divisions of Prakasam district.
Total		332	5 Districts

Source: Head Office APGB, Kadapa.

All the 3 transferor RRBs were earning profits and possess commonality in the socio-economic conditions and in the composition of their clientele mainly comprising of farmers, Self Help Groups (SHGs), rural artisans, traders and small businessmen. The loans disbursed by these RRBs are strikingly similar in activities, purposes, crops financed and etc.

Branch Network

A speedier growth of banking is a pre-requisite for socio-economic development of people in particular and the economy of nation in general. Thus, it is an acceptable canon and a welcome feature of banking institution particularly in the areas of wider disparities. Funds mobilization and their deployment, and quality services need a sound branch network to stabilize and strengthen the banking institution. Talwar has rightly stated that, "Branch expansion is a key factor on the development of banking sector; and constitutes the first systematic development."¹ The branch expansion is utmost urgent because of:

- ❖ The need for development of saving habit and banking habit,
- ❖ Need for mobilizing rural savings as the income of people increased due to increased investment under the Plans and other rural development programmes,
- ❖ The need for employing locally raised funds in the local bankable projects,
- ❖ The need to transfer the surplus funds to the deficit areas, and
- ❖ The need to act as gas-filler.

The main motto in establishing the regional rural banks was to extend the banking facilities to the rural people hitherto unbanked as well as under banked rural areas. Opening branches in such areas inspite of lack of remunerative business potential and infrastructures is the main focus and also the thrust of regional rural banks. The branch network, thus, helps the people to build up themselves so that they can also grow along with the growth of branch. "The location of branch erects the infrastructure of institutional credit for supplementing the efforts on cooperative line for the development of rural economy"² is the opinion of Aggarwal.

In deployment of credit, the regional rural banks enter new areas, which have not had the benefit of organized credit. The agriculture, small scale industries, self employment

programmes and a host of non conventional economic activities are to be financed by the regional rural banks. It is also to adopt itself to assist borrowers who are not familiar with banking procedures. The progress of banking on one hand and the prospects of rural economy on the other, thus, entirely envisages by a sound branch expansion. Data on branch expansion of Andhra Pragathi Grameena Bank is presented in Table 2.

Table 2
Expansion of APGB Branch Network

S. No.	Population Category	2006-07	2007-08	2008-09
1	Rural	233	239	244
2	Semi-Urban	75	76	81
3	Urban	24	27	31
	Total	332	342	356
	Extension Counters	14	14	7
	Regional Offices	5	5	5

Source: Head Office APGB, Kadapa.

As per the table 2 initially the Bank has a network of 332 Branches, comprising 233 Rural, 75 semi and 24 urban branches, 10 satellite offices and 14 Extension Counters (ECs). The branch network slightly increased during 2008-2009. The total number of branches raised from 332 to 356 by March 2009. Out of which 244 are rural, 81 are semi-urban and 31 are urban. But extension counters reduced to half. The Bank has obtained 14 licenses and opened all the 14 branches and up-grade 2 Extension Counters during the year 2008-2009. With the above, the total branches have gone up from 342 as on 31.03.2008 to 356 as on 31.03.2009.

Impact of Andhra Pragathi Grameena Bank Finance on the Sample Borrowers

This part is devoted to the study of the impact of bank credit on the financial position of the sample borrowers and to examine their repayment performance. It is desired to see as to what extent the bank finance had resulted in occupational change among the sample borrowers, i.e., change in main and subsidiary occupations of the sample borrowers consequent upon their availing bank credit. An attempt is also made to study the income generation among the sample borrowers from the projects financed by the bank under study and to see to what extent the gross and net incomes of the sample borrowers had increased under each borrower category. It is also desired to see to what extent the bank finance had generated employment among the members of the sample borrower households and to what extent it had resulted in the creation of productive and non-productive assets to the sample borrowers. Further, an attempt is made to examine the extent to which the bank had succeeded in mopping up the additional incomes generated towards bank deposits from the sample borrowers under both demand and time deposit categories. Lastly, the repayment performance of the sample borrowers is analysed in this chapter partly because it depends on the incomes generated from projects financed and partly because this aspect assumes vital importance or life line to the bank in its operations.

Occupational Change

Main Occupation

The occupational change in the main occupation of sample borrowers-as a sequence to the use of credit is studied with the help of a matrix table showing the distribution of sample borrowers on the basis of their main occupation before and after the loan.

Table – 3
Occupational change among the sample borrowers as a consequence of bank finance in main occupation

Pre-loan/Post loan	Agriculture	Allied activities	Agricultural labour	Petty Trade/ Small Business	Rural Artisan	Professional land self employed	Total
Agriculture	64 (80.00)	4 (5.00)	-	7 (8.8)	3 (3.7)	2 (2.5)	80 (100.00)
Allied activities	-	-	-	-	-	-	-
Agricultural labour	-	42 (59.2)	7 (9.9)	8 (11.3)	7 (9.8)	7 (9.8)	71 (100.00)
Petty Trade/ Small Business	-	1 (2.1)	-	43 (89.6)	1 (2.0)	3 (6.3)	48 (100.00)
Rural Artisan	-	1 (2.0)	-	2 (3.9)	48 (94.1)	-	51 (100.00)
Professional land self employed	-	-	-	-	-	44 (100.00)	44 (100.00)
No occupation	-	1 (16.7)	-	-	1 (16.7)	4 (66.6)	6 (100.00)
Total	64 (21.4)	49 (16.3)	7 (2.3)	60 (20.0)	60 (20.0)	60 (20.0)	300 (100.00)

Source: Field Survey

(Figures in Parentheses is Percentage to Total)

Table 3 shows that the shift in main occupation was, the highest in the case of Agricultural labour (90.1%) followed by those in Agriculture (20%). The shift was mainly towards 'Allied Activities' followed by 'Petty Trade', 'Rural Artisans' and 'Professional and Self employed'. The shift in main occupation was very less in the case of 'Petty Traders' (10.40%) and 'Rural Artisans' (5.90%). Practically, there was no shift in occupation in respect of 'Professional and Self employed' people. Six sample borrowers who had no occupation whatsoever prior to the loan got employed as Professionals' 66.60%, 'Rural Artisans' (16.70%) and in 'Allied Activities' (16.70%).

Income Generation

Gross Income

Table 4 shows the average gross income per sample borrower in developed and underdeveloped areas.

Table – 4
Income Generation among the Sample Borrowers as a Consequence of Bank
Finance – Gross Income

Borrower Category	Average Annual Gross Income Per Sample Borrower								
	Developed Areas			Undeveloped Areas			Total		
	Pre-loan (Rs.)	Post-loan (Rs.)	Incremental Income (Rs.)	Pre-loan (Rs.)	Post-loan (Rs.)	Incremental Income (Rs.)	Pre-loan (Rs.)	Post-loan (Rs.)	Incremental Income (Rs.)
Agriculture Investment Credit	35725.80	54542.66	18816.86 (52.67)	26768.86	32663.33	5894.47 (22.02)	31247.33	43602.99	12355.66 (39.54)
Allied Activities	5100.33	10764.00	5663.67 (111.04)	7610.16	11471.66	3861.50 (50.74)	6355.24	11117.83	4762.59 (74.94)
Petty Trade/ Small Business	46953.56	61092.00	14138.14 (30.11)	16823.33	28383.33	11557.00 (68.68)	31890.09	44737.66	12847.57 (40.29)
Rural Artisans	16463.33	21648.00	5184.67 (31.49)	13280.66	20493.33	7212.67 (54.31)	14871.99	21070.66	6198.67 (41.68)
Professional and Self Employed	15440.33	38733.33	23293.00 (150.85)	9379.33	15720.00	6340.67 (67.60)	12409.83	27226.66	14816.83 (119.39)
Total	23936.73	37356.00	13419.27 (56.06)	14773.07	21746.33	6973.26 (47.20)	19354.89	29551.16	10196.27 (52.68)

Source: Field Survey

(Figures in Parentheses is Percentage to Total)

It can be seen from table 4 that but of 300 sample borrowers, distributed equally under the five borrower categories, the highest percentage of increase in average gross income was recorded under 'Professional and if employed' category (119.39%) followed by that under 'Allied Activities' (74.94%). The incremental income as a percentage to the pre-loan average gross income was around 40 per cent in the remaining three categories, while it was 52.68 per cent for all the sample borrowers put together.

It can be seen from table 4 that increase in average gross income was more in developed areas (56.06 %) than in underdeveloped areas (47.20 %). The average incremental income generated in underdeveloped areas was just 51.96 per cent of that generated in developed areas. Further, it can be seen that in developed areas, the highest increase in average gross income was recorded under 'Professional and Self Employed' category (150.85 %), followed by 'Allied Activities' (111.04 %) and 'Agriculture Investment Credit' (52.67%). The increase in the other two categories was around 30 per cent. But in underdeveloped areas, the highest percentage of increase in average gross income was under 'Petty Trade' (68.68 %), followed by 'Professional and self employed' (67.60 %), 'Rural Artisans' (54.31 %) and 'Allied Activities' (50.74-%). It was the lowest under 'Agriculture Investment Credit' category just 22.02 per cent.

It may be observed that since the average loan amount per sample borrower was higher in developed than in underdeveloped' areas, there was substantial difference even in average incremental gross income generated in the two areas.

Employment Generation

Table 5 shows the employment generated among male, female and child members of the sample borrower households due to the projects financed by the bank.

Table – 5
Employment Generation among the Sample Borrowers as a Consequence of Bank Finance

Particulars	Employment Generation (person days per annum)								
	Developed Areas			Undeveloped Areas			Total		
	Pre-loan	Post-loan	Incremental employment	Pre-loan	Post-loan	Incremental employment	Pre-loan	Post-loan	Incremental employment
Male workers	455.93	693.51	237.58 (52.10)	275.03	396.01	120.98 (43.98)	365.48	544.76	179.28 (49.05)
Female workers	180.92	418.80	237.88 (131.48)	119.56	195.75	76.19 (63.72)	150.24	307.28	157.04 (104.52)
Child workers	9.66	21.53	11.87 (122.87)	2.43	29.27	26.84 (1104.52)	6.05	25.04	19.35 (319.83)
Total (Mandays)	581.39	882.61	301.22 (51.81)	357.54	541.35	183.81 (51.40)	469.47	711.98	242.51 (51.65)

Source: Field Survey

(Figures in Parentheses is Percentage to Total)

It can be seen from table 5 that the overall average incremental employment generated in man-days stood at 51.65 per cent in respect of all sample borrower households. In absolute terms, the incremental employment generated was highest in respect of male workers (179.28 days) followed by female workers (157.04 days) and child workers (19.35 days). However, in percentage terms i.e., incremental employment as a percentage to the pre-loan employment, it was highest in respect of child workers (319.83 %) and least in respect of male workers (49.05 %). Such a high percentage of incremental employment in respect of child workers was mainly due, to substantial increase in child days of employment in underdeveloped areas - 26.84 child days on an average against 11.87 child days on an average in developed areas.

It can further be noted from table 5.26 that the average employment generated in person-days in percentage terms was more or less the same in both developed and underdeveloped areas, i.e., around 52.00 per cent. But, there was substantial difference in respect of employment generated under different worker categories between the two areas. For example, in developed areas, the average incremental employment generated in respect of male workers was 237.58 days against just 120.98 days in underdeveloped areas. Similar difference can be noticed in respect of female workers - it was 237.88 days in the former against 76.19 days in the latter. However, the contrary held well in respect of child workers.

Asset Generation

Table 6 shows the average value of productive assets of sample borrowers before and after the loan and incremental value resulting from acquisition of assets like agricultural land, agricultural machinery, livestock, bullocks, etc.,

Table – 6
Impact of Bank Finance on Productive Assets owned by the Sample Borrowers

Borrower Category	Average value of the productive assets per sample borrowers (in Rs.)								
	Developed Areas			Undeveloped Areas			Total		
	Pre-loan	Post-loan	Increment Value	Pre-loan	Post-loan	Increment Value	Pre-loan	Post-loan	Increment Value
Agriculture Investment Credit	166883	209865	42982 (25.75)	77823	108290	30467 (39.14)	122353	159078	36725 (30.01)
Allied Activities	28510	35960	7450 (26.13)	8413	15260	6847 (81.38)	18462	25610	7148 (38.71)
Petty Trade/ Small Business	90167	90167	-	7017	7017	-	48592	48592	-
Rural Artisans	7167	7167	-	29560	29747	187 (0.63)	18364	18457	93 (0.50)
Professional and Self employed	36907	36907	-	14900	15373	473 (3.17)	25904	26140	236 (0.91)
Total	65926.8	76013.2	10086.4 (15.29)	27542.6	35137.4	7594.8 (27.57)	46735	55575.4	8840.4 (18.91)

Source: Field Survey

(Figures in Parentheses is Percentage to Total)

It can be seen from table 6 that increase in average value of productive assets was highest in the case of sample borrowers under 'Agriculture Investment Credit' category followed by those under 'Allied Activities'. The increase in the value of productive assets was meagre under 'Rural Artisans' and 'Professional and Self employed' categories, while it was nil under 'Petty Trade' category.

The increase in the average value of productive assets was more in developed areas (Rs.10086.4) than in underdeveloped areas (Rs.7594.8). The incremental value of productive assets under 'Agriculture Investment Credit' was more in developed areas (Rs.42982) than in underdeveloped areas (Rs.30467). Similar is the case in respect Of 'Allied Activities' where the incremental value of productive assets was ft Rs.7450 in the former against Rs.6847 in the latter.

However, while there was marginal increase in the value of productive assets generated under 'Rural Artisans' and 'Professional and Self employed' categories in underdeveloped areas (Rs.187 and Rs.473 respectively), there was no asset generation under these categories in developed areas. Further, there was no asset generation in the case of sample borrowers belonging to 'Petty Trade/Small Business' category in both developed and underdeveloped areas.

Conclusion

Over the years, the RRBs, which are often viewed as the small man's bank, have taken deep roots and have become a sort of inseparable part of the rural credit structure. They have played a key role in rural institutional financing in terms of geographical coverage,

clientele out reach and business volume as also contribution to development of the rural economy. A remarkable feature of their performance over part four decades has been the massive expansion of their retail network in rural areas. The rural orientation of RRBs is formidable with rural and semi-urban branches constituting over 97 per cent of their branch net work. The growth in the branch network has enabled the RRBs to expand banking activities in the unbanked areas and mobilize rural savings through their innovative schemes of deposit mobilization.

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