

An Analysis of the performance of Andhra Pradesh GrameenaVikas Bank in India

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ABSTRACT

Regional Rural Banks were formed when Government of India felt the need of a financial institution to cater to the needs of Rural sector, hence this also aimed to cease the traditional method of private money lenders. Earlier, financial assistance to rural sector was provided by Co-operatives, land development banks and private money lenders. Post nationalization of Commercial banks and formation of Regional Rural Banks, credit facilities to the poor were being disbursed by them. Regional Rural Banks were restructured and consolidated in the year 2005 as their performance was too low, high level of NPA's and lower amount of profits forced GOI to initiate amalgamation of Regional Rural Banks. In 2006, Andhra Pradesh Grameena bank was established as a Regional Rural Bank with the amalgamation of five RRB's Viz. Sri VisakhaGrameena Bank, Nagarjuna Grameena Bank, SangameswaraGrameena Bank, ManjiraGrameena Bank and KakathiyaGrameena Bank. The present study aims to study the performance of Andhra Pradesh Grameena Bank post transformation era.

1. Introduction

The primary objectives of introducing Regional Rural Banks by the Government of India was to streamline and strengthen rural economy and to improve standards of living of the weaker sections of the rural society. Initially, before the RRB's were introduced, joint efforts were made by Co-operative and the Commercial Banks, only 30 percent rural credit was disbursed by the Nineteen Seventies. RRB's were established in Oct, 2nd 1975 with a motive to provide and ensure sufficient institutional credit to the poor for agriculture and other allied activities. Formation of RRB's was recommended by Narsimham Committee, a separate financial institution to deal with the problems and needs of the weaker sections of the rural sector. Objective behind setting up of RRBs was to eliminate the credit gaps which existed in the rural areas, developing rural economy, providing banking facilities to rural people, eliminating private money lenders. Providing employment opportunities to the rural people. Since their inception, RRB's have a lot of problems of NPA's. Non-Performing Assets have become a road block for RRB's affecting their performance and profitability. Non-Performing Assets are those where borrower fails to payback his installments and interest on or before due date. This paved way for GOI in consolidation of RRB's to improve their financial health, reduce NPA's and achieve their objective of reaching to unbanked areas of rural sector. Restructuring of RRB's initiated in the year 2005 by amalgamating 196 RRB's to 56 in 2015. Consolidation of RRBs showed a positive impact as an improvement in their performance was noticed and it showed a hope in achieving economies of scale and better managerial control.

2. Andhra Pradesh Grameena Vikas Bank

Andhra Pradesh Grameena Vikas Bank was set up in 2006 as a Regional Rural in 31st March 2006, by amalgamation of Sri VisakhaGrameena Bank, Nagarjuna Grameena Bank, SangameswaraGrameena Bank, ManjiraGrameena Bank and KakathiyaGrameena Bank, which were sponsored by SBI, to

participate more energetically, with synergy, in the uplift and development of Rural Farm Sector and Rural Non-Farm Sector, with emphasis on the deprived, the Rural Poor, Rural ISB and Rural Crafts. Headquarters of Andhra Pradesh Grameena Bank is at Warangal covering eight districts in Andhra Pradesh i.e. Mahabubnagar, Nalgonda, Medak, Warangal, Khammam, Visakhapatnam, Vizianagaram, Srikakulam. The shareholders of the Andhra Pradesh Grameena Vikas Bank are Govt. of India (50%), State Bank of India (35%) and Govt. of Andhra Pradesh (15%). The RRB's were established to provide services to those rural areas for developing the Andhra Pradesh rural areas, also providing them facilities like low interest rates and one of the best credit facilities etc.

3. Objectives of the Study

1. To analyze trend of key performance indicators of Andhra Pradesh Grameena Vikas Bank in India.
2. To study the growth-pattern of Andhra Pradesh Grameena Vikas Bank in India.
3. To measure financial performance of Andhra Pradesh Grameena Vikas Bank in India.

4. Research Methodology

As the main objective of the study is to examine the Performance of Andhra Pradesh Grameena Vikas Bank during 2011 to 2015 in India, the performance is evaluated by taking key performance indicators like number of branches, deposits mobilization, credit deposit ratio, net profit, recovery performance and also the performance of Non-Performing assets for the specified period. The study is based on secondary data collected from the annual reports of NABARD and Andhra Pradesh Grameena Vikas Bank annual report. The study is exploratory and diagnostic in nature. Growth rate is calculated by taking below mentioned formulae-

Growth Rate- $\frac{\text{Value of Current year} - \text{Value of Base Year}}{\text{Base Year}}$

Branch Expansion

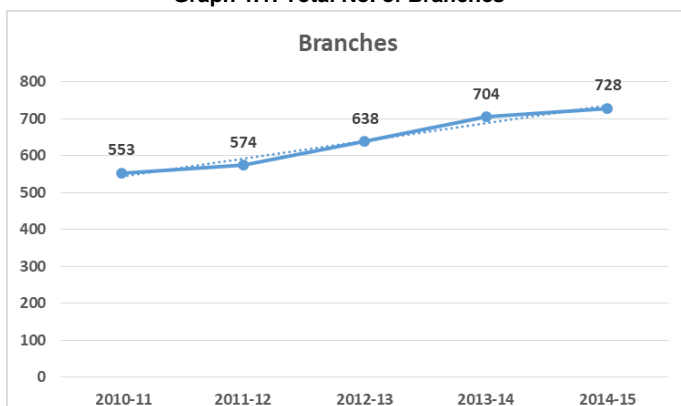
Andhra Pradesh Grameena Vikas Bank have extended their operations mainly in the rural sector. There has been an increase in number of branches from 553 in 2010-11 to 728 in the year 2014-15. This will help them in achieving their target of reaching their services to unbanked areas of rural sector. Andhra Pradesh Grameena Vikas Bank have started 24 new branches taking total to 728 and also 4 New Ultra Small Branches taking total to 493. This is evident from the table 1.1 and graph 1, post consolidation, number of branches of Andhra Pradesh Grameena Vikas Bank has increased significantly.

Table 1.1: Total No. of Branches

Year	Branches	Growth Rate
2010-11	553	3%
2011-12	574	4%
2012-13	638	11%
2013-14	704	10%
2014-15	728	3%

Source: Compiled from the annual reports of BGVB

Graph 1.1: Total No. of Branches



Total Deposits

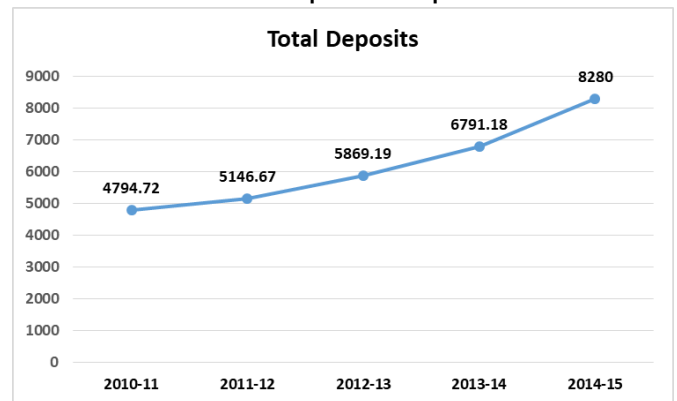
There has been an increase of total deposits which are almost doubled to 8280 crore in the year 2014-15 from 4794.72 crore in the year 2010-11. There has been a tremendous increase in the deposits of Andhra Pradesh Grameena Vikas Bank.

Table 1.2: Total Deposits

Year	Total Deposits	Growth Rate
2010-11	4794.72	26%
2011-12	5146.67	7%
2012-13	5869.19	14%
2013-14	6791.18	16%
2014-15	8280	22%

Source: Compiled from the annual reports of BGVB

1.2 Graph: Total Deposits

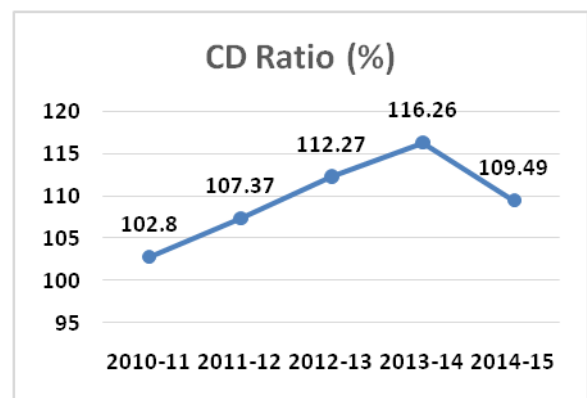


Credit Deposit Ratio

Credit Deposit Ratio refers to how much a bank has lend out the deposits it has mobilized, a low CD ratio indicates that banks are not making full utilization of their resource. Credit Deposit ratio of Andhra Pradesh Grameena Vikas bank increased constantly every year except in the 2014-15. As it decreased From 116.26 in the year 2013-14 to 109.59% in the year 2014-15. In total, there has been an increase from 102.8% in the year 2010-11 to 109.49% in the year 2014-15.

Table 1.2 & 1.2 Graph: Credit Deposit Ratio (%)

Year	CD Ratio (%)
2010-11	102.8
2011-12	107.37
2012-13	112.27
2013-14	116.26
2014-15	109.49



Source: Compiled from the annual reports of BGVB

Recovery Performance

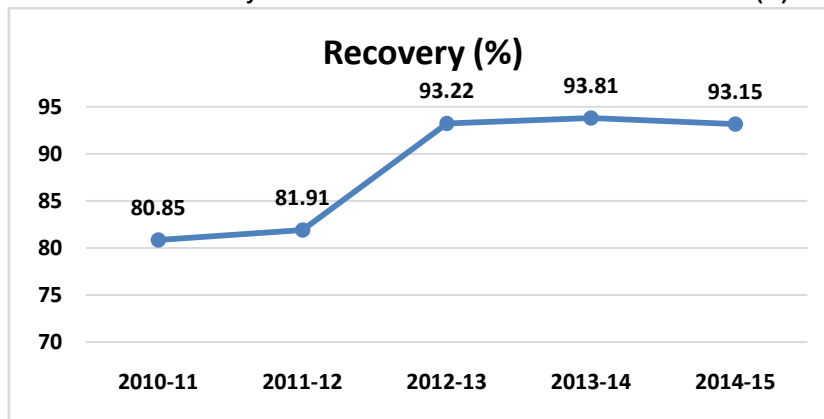
Performance of a bank is not only dependent on resource mobilized or advances made, but also on deployment of resources and recycling of resources. It can be said that recovery performance also plays a critical role in the performance of a bank. However, recovery performance of Andhra Pradesh Grameena Vikas Bank has been constantly increasing from 80.85% in 2010-11 to 93.15 in the year 2014-15.

Table 1.3: Recovery Performance of APGVB from 2010-11 to 2014-15 (%)

Recovery Performance	2010-11	2011-12	2012-13	2013-14	2014-15
Demand	2547.28	3164.61	2921.70	3768.37	4107.59
Collection	2059.51	2592.13	2723.68	3535.14	3826.23
Overdues	487.77	572.48	648.09	1023.99	1086.92
Recovery %	80.85	81.91	93.22	93.81	93.15

Source: Compiled by researcher from the annual reports of APGVB

Chart 1.3: Recovery Performance of APGVB from 2010-11 to 2014-15 (%)



Non-Performing Asset of APGVB

Non-Performing Assets are the biggest threat to the banking sector in India. Rise in the level of NPAs affect productivity and profitability of banks and sends distressing

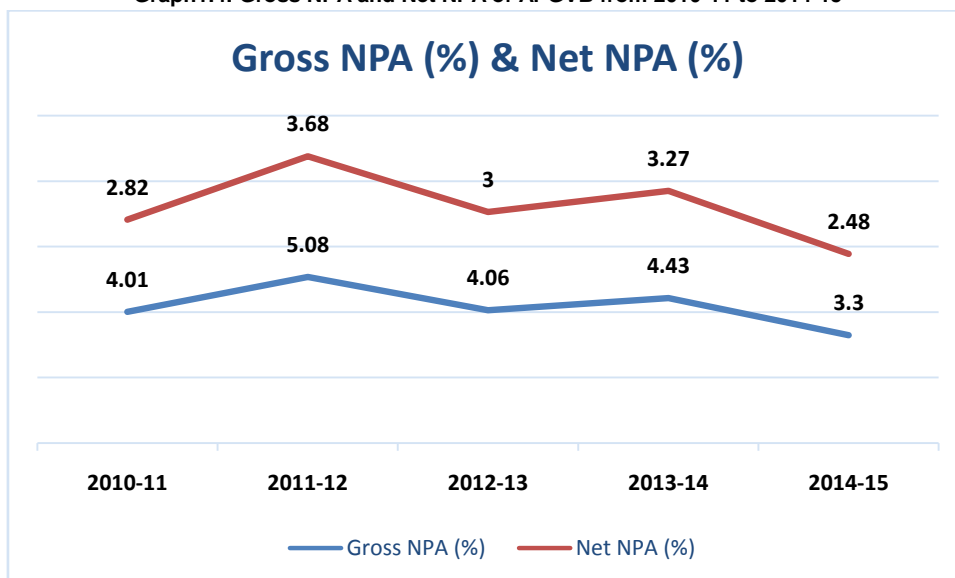
signals on the sustainability of banks. A high level of NPAs in banks results in low profit, high losses and the value of assets gets eroded. Performance of NPA's in Andhra Pradesh Grameena Vikas Bank can be seen below.

Table 1.4: Gross NPA and Net NPA of APGVB from 2010-11 to 2014-15

Year	Gross NPA (%)	Net NPA (%)
2010-11	4.01	2.82
2011-12	5.08	3.68
2012-13	4.06	3.00
2013-14	4.43	3.27
2014-15	3.30	2.48

Source: Compiled by researcher from the annual reports of APGVB

Graph 1.4: Gross NPA and Net NPA of APGVB from 2010-11 to 2014-15



The table 1.4 and chart 1.4 shows that Gross NPA as percentage of gross advance have decreased from 4.01% in the year 2010-11 to 3.30% in the year 2014-15. Net NPA as percentage of Net Advance has also declined from 2.82% in the year 2010-11 to 2.48% in the year 2014-15. Although fluctuation in Gross NPAs and Net NPAs can be witnessed from the table and chart. It can be seen that there has been a significant decrease in the Net NPA and Gross NPA of APGVB, signaling a positive performance of the bank.

Asset Classification of APGVB

NPAs are classified as sub-standard assets, doubtful assets, and loss assets. A sub-standard asset is one which has remained NPA for a period less than or equal to twelve months. An asset is categorized as doubtful if it has remained in the sub-standard category for a period of twelve months. A loss asset is one where loss has been marked by the bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly.

Table 1.5: Asset Classification of APGVB from 2010-11 to 2014-15
(Amount in crores)

Sr. No	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
a.	Standard	4698.14	5251.66	6322.13	7545.60	8766.58
b.	Sub-standard	155.77	196.84	148.73	159.53	165.09
c.	Doubtful	38.92	84.20	118.71	189.23	133.25
d.	Loss	0	1.97	0	1.04	0.68
	Total	4894.43	5532.71	6589.58	7895.42	9065.61

Source: Compiled by researcher from the annual reports of APGVB

The table 1.5 shows that standard assets have rose to 8766.58 crore in the year 2014-15 from 4698.14 crore in the year 2010-11. Sub-standard assets increased from 155.77 crore in the year 2010-11 to 165.09 crore in the year 2014-15. Doubtful assets showed an increasing trend from 38.92 crore in the year 2010-11 to 133.25 crore in the year 2014-15. Loss assets were at declined from 1.04 crore in the year 2010-11 to 0.68 crore in the year 2014-15.

Profitability Performance of APGVB

As profitability is the basic objective of every business which not only attracts earnings but also acts as a motivational force in the running of a firm. In the same way, profitability of APGVB plays an important role in their performance. It is considered as an important indicator of their financial performance.

Table 1.6: Profit/Loss of APGVB from 2010-11 to 2014-15
(Amount in crores)

Year	Profit/Loss	Growth Rate
2010-11	108.12	5%
2011-12	120.1	11%
2012-13	159	32%
2013-14	180.53	14%
2014-15	201.6	12%

Source: Compiled by researcher from the annual reports of APGVB

Graph1.5: Profit/Loss of APGVB from 2010-11 to 2014-15

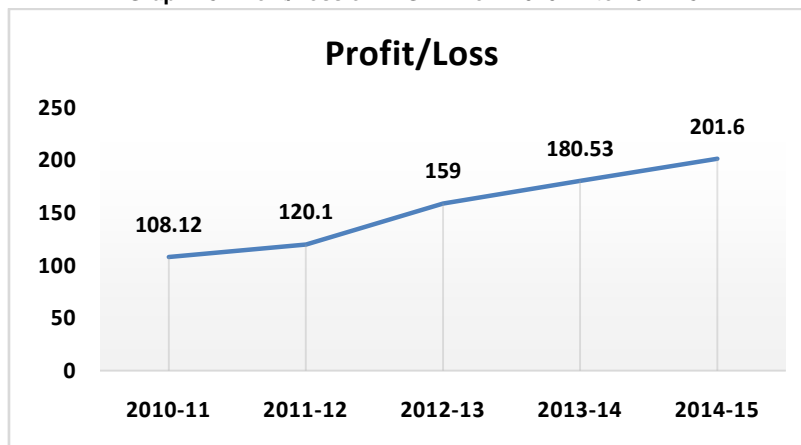


Table 1.6 & Graph 1.5 shows that Andhra Pradesh Grameena Vikas Bank earned a profit of 108.12 crore in the year 2010-11. There is a significant rise in the profit making of

the bank which is evident in the table. As the profit rose to 201.60 crore in the year 2014-15 from 108.12 crore in the year 2010-11.

5. Conclusion

The present study has made an attempt to evaluate the performance Andhra Pradesh Grameena Vikas Bank of Andhra Pradesh from the period 2010-11 to 2014-15. Andhra Pradesh Grameena Vikas Bank's vision to "Be a financial heart, providing sustainable livelihood to rural population through Innovative Financial and Technology Solutions", indeed they are on their way to become a financial heart for the rural sector. They have improved a lot in their performance & profitability and reaching to the unbanked areas of rural sector. They play a vital role in serving the rural people by providing them financial needs. They are successfully achieving in reaching unbanked

areas of rural sector by increasing branches year by year, hence achieving their objective of assisting rural people with rural credit. Above evaluation of the performance of APGVB's suggests that consistent efforts are being taken to reduce NPA's which are a threat to bank, as a result profitability of the bank can be witnessed with an increasing trend constantly. Although NPA categories, Sub-standard, Doubtful and loss have increased, however there is depreciation in the NPA of Andhra Pradesh Grameena Vikas Bank. It can be seen that there has been a significant improvement in branch expansion, deposit mobilization, credit disbursement and net profit earned by them during the study period.

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