PERFORMANCE EVALUATION OF PANDYAN GRAMA BANK (PGB) – A STUDY WITH REFERENCE TO TAMIL NADU

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By

M. SUDALAI
(Reg. No.: 1061)

Under the Guidance of

Dr. N. THALAVAI PILLAI
GUIDE

Dr. M. EDWIN GNANADHAS
CO-GUIDE

RESEARCH CENTRE IN COMMERCE
SCOTT CHRISTIAN COLLEGE (AUTONOMOUS), NAGERCOIL. MANONMANIAM SUNDARANAR UNIVERSITY TIRUNELVELI – 627 012.

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SYNOPSIS

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Introduction

Regional Rural Banks (RRBs) which are hybrid institutions combining the role of co-operative with commercial banking functions have been the most intensively debated subject in recent years. Indian banking system today is evolving itself as a powerful instrument of planning for economic growth. Among the various factors of economic development and consequent removal of poverty, the role of financial institutions becomes very significant. The overall development of the economy depends to a large extent on the banking sector as financial institutions act as suppliers of capital for production of goods and services, which in turn raises income and standard of living of the people.

In India, the banking sector has received from time to time definite orientations, and it has come to occupy a predominant position among the infrastructural factors of economic development. In a country where 74.2 per cent of population lives in rural areas, banks are relied upon to play a key role in rural uplift. An efficient system of purveying institutional credit in rural and semi-urban areas is an essential ingredient of any viable strategy for the removal of poverty and modernisation of the economy at base level.
Statement of the Problem

The Regional Rural Banks (RRBs) conceived as low cost institutions, midway between the co-operatives and commercial banks, locally based and imbibing indigenous social ethos, and with weaker sections for assistance, are accepted as a part of the multi-agency approach to rural credit. Assessment of their performance indicates that RRBs have succeeded in lending their credit to weaker sections. However, inspite of their geographical expansion and functional diversification, the RRBs now-a-days have become the victims of operational efficiency.

The earlier studies prominently done by the Government Committees and Reserve Bank of India study Groups felt the need for undertaking case studies on RRBs for their better evaluation in view of their working in different socio-economic environmental conditions.

The Pandyan Grama Bank (PGB) is one among the RRBs in India and it is the first RRB established in Tamil Nadu. It concentrates its area of operation in the backward districts situated in the south of Tamil Nadu. The Pandyan Grama Bank through its loan schemes has been helping the rural poor especially the small and marginal farmers, agricultural labourers and rural artisans to improve their economic status. Hence, the study attempts to evaluate the working performance, operational efficiency and profitability of the Pandyan Grama Bank.
In the light of the above background, the present study assumes special significance.

**Objectives of the Study**

The main objectives of the present study are:

i) To assess the performance of Pandyan Grama bank with reference to the goals assigned to it.

ii) To find out whether the beneficiaries have secured adequate and timely credit from the bank.

iii) To appraise the impact of PGB’s credit schemes on beneficiaries in terms of employment creation and income generation.

iv) To find out the repayment performance of beneficiaries and

v) To suggest policy measures for better working of RRBs in future.

**Hypotheses of the Study**

The above objectives imply the following hypotheses to be empirically verified:

i) The Pandyan Grama Bank’s loan schemes have generated employment to the beneficiaries.
ii) The income of the beneficiaries has increased after availing the bank credit.

iii) There has been a positive impact on the eradication of poverty in the study area.

iv) The average household annual expenditure has increased in the post-loan period.

v) The average annual savings per household has increased after getting the bank loan and

vi) The indebtedness position of the sample beneficiaries has declined in the post-loan period.

Scope of the Study

The present study covers Pandyan Grama Bank (PGB) in Tamil Nadu State. The area of the study is the five districts, namely Tirunelveli, Thoothukudi, Ramanathapuram, Sivagangai and Virudhunagar served by the PGB. The period of reference is six years from 2001-02 to 2006-07 for which the latest data are available. However, a longer duration has been considered where the working of RRBs at national level is examined in general.

The study attempts an analysis of the performance of the PGB in terms of branch expansion, growth of working capital, mobilisation of deposits, deployment of credit, credit-deposit ratio, recovery performance, overdues and
working results in terms of profit or loss. In order to study the impact of credit on beneficiaries, 600 sample beneficiaries have been selected.

The study also relates to household income and expenditure, purpose of loans, expenses incurred in availing the loans, and punctuality in repayment of loans. The Pandyan Grama Bank provides loan assistance to small and marginal farmers, agricultural and landless labourers, village artisans and self-employed persons for productive purposes. The supply of finance enables them to improve their productivity and also to undertake new activities leading to additional employment, production and income. The effectiveness of such a strategy, however, needs to be studied in depth so as to understand its contribution towards the removal of rural poverty. It needs no emphasis that increase in income is the primary outcome of credit expansion while rise in employment is one of its important secondary effects. The present study attempts to assess the impact of PGB loan schemes on the income and employment of the sample beneficiaries.

**Methodology**

The present evaluation exercise is empirical in nature. It analyses the benefits, performance and problems of various credit schemes of Pandyan Grama Bank. Both primary and secondary data collected for the study were analysed with reference to each of the objectives of the study with the help of appropriate tools of analysis.
The first source of gathering information is from the discussions with the major functionaries at the Head Office of the bank. The second source of information is the views of branch managers of the bank. Thirdly, the data collected from the beneficiaries constitute the major base of the study.

**Sampling Design**

Pandyan Grama Bank (PGB) is the universe for the study. PGB was purposely selected because it was the first Regional Rural Bank established in Tamil Nadu in 1977. This study is primarily based on a sample survey, the area of which has been confined to the five operational districts of PGB. The aim of the study is to concentrate on five different assistance schemes. The relevant information and data have been collected from the selected sample beneficiaries (600) of the PGB through a schedule. In order to obtain the requisite information for the present study, random sampling technique is adopted at different stages.

A two stage sample design is adopted for the study, based on survey method. The first stage concerns itself with the selection of 20 branches at random which accounts for 12 per cent of the branches of the PGB. At the second stage 30 beneficiaries are selected from each branch at random. Thus, the study covers 20 branches and 600 beneficiaries.
The schedule of field survey was finalised in the last quarter of 2007 and the survey was launched in the first half of 2008. The method of personal interview has been adopted. Great care was taken in collecting data from the households which are subject to their memory capacity and other inbuilt-biases.

**Selection of Beneficiaries**

A complete list of all the medium-term loan borrowers of each selected branch was obtained from the branch concerned. At the end of 2007, the 20 selected branches were maintaining 5,938 medium-term loan accounts. Out of these a random sample of 600 beneficiaries (10 per cent) was selected for this study. On an average 30 beneficiaries were interviewed in a branch. The sample survey among the beneficiary households was conducted in the first half of 2008.

For the selected beneficiaries, the details regarding their loan accounts were collected from the branch records. The beneficiaries were selected from five different activities keeping in view the sectoral distribution of advances of the branch. 600 beneficiaries were selected for the study on the basis of random sampling technique covering different categories of beneficiaries – dairy, sheep, work bullock and cart, small business, and rural artisans – taking 120 in each case. Steps were taken, as far as possible to include beneficiaries with overdues in proportion to their strength in the total advances portfolio of the branches.
Sources of Data

Primary Data

This study has an objective of analysing the impact of Pandyan Grama Bank’s credit schemes on generation of income and employment. Naturally, such an analysis involves the collection of primary data from sample beneficiaries. The primary data have been collected from the sample beneficiaries personally by means of survey method. The sample beneficiaries were interviewed with the help of questionnaire specially designed for the purpose, covering various aspects such as quantum of loans, utilisation of loan amount, repayment, amount of overdues, income and employment generation, expenditure and savings. Simultaneously an opinion survey from the respondents was collected to find out their problems in getting the services of the Pandyan Grama Bank and gather their suggestions for better services of the Bank.

The collection of primary data was started in January 2008 and completed in June 2008. The researcher directly met the sample beneficiaries. The primary data about the beneficiaries of different schemes pertaining to the period 2001-2007 were collected for two points of time pre-investment and post-investment stages through personal enquiry. This has been done specially because the impact of the loan amount on the economic conditions of the beneficiaries has been studied with reference to changes witnessed on the income and employment generation between the two periods under the study. Obviously, the bulk of
information furnished by the respondents has emerged out of their capacity to remember.

A few doubts were clarified by cross-questioning and using personal judgement and experience of the respondents and the author. Every possible step has been taken to minimise the errors in collection of data from the beneficiary by gaining his/her confidence and co-operation so that he or she has eventually responded to the best of his or her ability. The information, thus, collected from the sample beneficiaries is the basis for the present study.

Secondary Data

The secondary data used for the study were collected from Annual Reports of Pandyan Grama Bank for the period from 2001-02 to 2006-07; the Administrative Office of the Pandyan Grama Bank, Virudhunagar; Reserve Bank of India Bulletin, Report on Trend and Progress of Banking in India, Reserve Bank of India (various issues), Annual Reports of the Reserve Bank of India (various issues), and Statistics on Regional Rural Banks, NABARD (various issues). Besides this, unpublished dissertation works, books and periodicals and research articles from journals were also referred.
Tools of Analysis

The data, thus, collected have been properly classified analysed and were evaluated with the help of Trend Analysis, Ratio Analysis and Technique of Inter Period Analysis.

To test the relation between the category of the beneficiaries and their loan repayment, Chi-square test was administered.

The ‘t’ test was also carried out from the computer results to test whether there is any increase in the income and employment of the beneficiaries after availing bank credit.

For the purpose of interpreting the efficiency and productivity of Pandyan Grama Bank, the following parameters have been used; (i) Branch expansion, (ii) Deposit growth, (iii) Credit deployed, (iv) Credit-Deposit ratio, (v) Recovery performance, (vi) Working results and (vii) Overall productivity.

Chapter Scheme

This study is divided into seven chapters as follows:

Chapter I is “Introductory” in nature and deals with appraisal of the RRBs, problem setting, objectives, hypotheses, scope of the study and chapterisation.

Chapter II “Review of Literature and Concepts Used” presents a detailed review of past studies and some concepts used in the study.
Chapter III “Methodology and Profile of the Study Area” gives an account of the methodology followed in the present study. The details regarding the choice of the study area, sample design adopted for the field survey and methods of data collection are explained in this chapter.

Chapter IV “Financial and Working Performance of Pandyan Grama Bank” analyses the performance of Pandyan Grama Bank with reference to branch expansion, deposit growth, deployment of credit, credit-deposit ratio, recovery performance and profit-loss position.

Chapter V “Impact of PGB’s Credit Schemes on Beneficiaries” presents a report of the sample survey on beneficiaries of the PGB. It also examines the impact of PGB’s credit schemes on eradication of poverty with reference to income and employment generation and repayment performance.

Chapter VI “Problems and Prospects of Pandyan Grama Bank” deals with the problems faced by Pandyan Grama Bank, problems focused by branch managers and beneficiaries and prospects of the bank.

Chapter VII “Summary of Findings, Suggestions and Conclusion” contains the important findings of the study along with conclusion. It also suggests the policy implication on the basis of the findings of the study.

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