CHAPTER VI

EVALUATION AND SUGGESTIONS

India lives in villages but the villagers live in poverty, ignorance, illiteracy and indebtedness. The government has instituted several institutions with a view to free the rural masses from the clutches of village money-lenders. But those institutions expressed their inability in meeting the credit requirements of the rural poor. Consequently the government established the new institution called the Regional Rural Bank in October, 1975. Since then the regional rural banks have been spreading their activities to different rural areas in different states. The number of regional rural banks and their branches augmented to 183 and 11,886 covering 323 districts by the end of March, 1985. The deposits and advances of these banks increased to Rs.981.96 crores and Rs.1,143.12 crores respectively by the end of March, 1985. Consequently deposits per branch and advances per branch rose upto Rs.8.26 lakhs and Rs.9.62 lakhs by the end of March, 1985.

Despite this progress the regional rural banks in the country have been facing the challenges regarding establishing the banks and their branches on balanced lines with a view to curb regional disparities, non-viability of banks and their branches and the problem of growing overdues. It is observed that the regional rural banks are concentrating in the Northern and Eastern regions neglecting the other parts of the country. The figures show that the
overdues of majority (94 out of 147 banks by the end of June, 1984) of the banks is over and above 40 per cent of the amount demanded for repayment. Further it is observed that most of the banks which are more than five years old are still incurring losses.

However the success of Indian experiment of Regional Rural Banks lies in the meeting the challenges in the years to come. In view of this bank drop it is felt that a study on performance evaluation of regional rural banks is of immense help, in order to maximise their contribution for the development of rural India.

In view of the constraints of resources at the disposal of the scholar and the similarity of the challenges faced by all regional rural banks in the country, it is felt that it would be appropriate to study the performance of single regional rural bank which would be a representative one. Sree Anantha Grameena Bank has been selected for the study, as it has been meeting the requirements of the poorest man of the poorest district of the rice-bowl state (Andhra Pradesh) of the country.

A close study has been undertaken with the objective to evaluate the performance of Sree Anantha Grameena Bank in the areas of branch expansion, resource mobilisation, advances, recovery and profitability. The methods of
interview and secondary data from the reports and records have been adopted in this study. The entire study is divided into six chapters. The first two chapters give background information, the performance evaluation in different areas has been covered in the core chapters of III, IV and V.

Sree Anantha Grameena Bank was established on 1st November, 1979, sponsored by Syndicate Bank. The primary objective of the bank is to extend financial assistance to the weaker sections of the society i.e., small and marginal farmers, rural artisans, petty traders and agricultural labourers.

The bank activities are grouped on the basis of departmentalisation type of organisation structure within the geographic divisionalised structure. The bank functions within the overall supervision of the board of directors who are in turn assisted by the Chairman. The Chairman in his turn is assisted by the managers of various departments like Planning and Development, Accounts, Personnel, Inspection and General Administration. The Manager, General Administration is assisted by the branch manager in his turn is assisted by one field supervisor, one Senior or Junior Clerk-cum-Cashier and a part-time Sweeper-cum-Messenger.
It is felt that the organisational structure adopted by Sree Anantha Grameena Bank i.e., departmentalisation within geographic divisionalised structure is suitable to the bank in attaining its objectives by expanding its branches in different parts of the district.

Sree Anantha Grameena Bank's performance in respect of branch expansion has been evaluated in the areas of i) number of branches ii) centre-wise and block-wise branch expansion iii) area covered per branch office and iv) population per branch office.

Sree Anantha Grameena Bank stood first in opening number of branches in the district during the period 1980 to 1985 among other banks. In view of the crucial role of the bank, it is suggested that the bank may consider the unbanked potential areas for opening new branches.

It is also observed that the bank has been opening most of its branches in rural and unbanked areas. The bank has also been opening its branches in the un-banked potential blocks. Thus it is felt that Sree Anantha Grameena Bank has been following the norms in case of center-wise and block-wise branch expansion. With the phenomenal progress of branch expansion, the area covered by each branch and population per branch office dwindled by more than six times.
The performance of Sree Anantha Grameena Bank in respect of resource mobilisation is evaluated on the basis of resource mobilisation from sponsor bank—Sree National Bank for Agriculture and Rural Development (NABARD) and deposit mobilisation. Sree Anantha Grameena Bank improved its efficiency by more than two times in securing funds both from sponsored bank and the National Bank for Agriculture and Rural Development (NABARD). The bank improved its performance more than twenty times in case of deposit mobilisation during the period 1980 to 1985. But deposits per branch office increased by more than three times. It is further observed that the performance of Sree Anantha Grameena Bank has not been much encouraging in terms of achievement comparative to the targets of the deposit mobilisation. Several causes may be attributed to this situation. However it is suggested that the bank should take sincere efforts to achieve the targets of deposit mobilisation.

Credit is not only a significant input but plays a crucial role in the production process—be it agriculture or industrial sector. Sree Anantha Grameena Bank provides credit to agriculture and industrial sector of Ananthapur district. The performance of the bank can be evaluated on the basis of meeting the credit requirements of all the sectors on balanced lines. The share of agricultural advances to total advances increased from 22.51 per cent to 67.56 per cent during the period 1980 to 1984. The share
of industrial loans in total advances increased from 8.65 per cent to 21.24 per cent during the period. But it declined to 19.90 per cent in 1985. Thus the industrial sector is taxed in 1985 at the benefit of non-priority sector. The ratio of priority sector advances to non-priority sector advances declined during the period 1984 to 1985. Hence it is suggested that Sree Anantha Grameena Bank should realise that rise in advances to non-priority sector should not be at the cost of the priority and production sector.

Among the agricultural advances, crop loans shot up more than 100 times during the period 1980 to 1985. Similarly advances to minor irrigation, land development, purchase of bullocks and bullock-carts, agricultural implements augmented significantly during the period under study. It is further observed that the loans to small farmers, marginal farmers and agricultural labourers increased phenomenally during the period. Advances to allied activities of agriculture like dairy, sheep rearing, sericulture, piggery also increased remarkably in view of its importance in the district. Credit to rural artisans and petty traders boosted up during the period. Thus it is felt that Sree Anantha Grameena Bank has been successful in attaining its basic purpose i.e., meeting the financial requirements of small men of the rural areas of Ananthapur district.
It is also observed that the bank has achieved 118 per cent of its targets of credit deployment in 1981 and 1984 and achieved more than 90 per cent of the targets of credit deployment in other years of the study. Performance of Sree Anantha Grameena Bank in respect of deployment of credit is found to be satisfactory through certain ratios.

The lending performance of Sree Anantha Grameena Bank can also be evaluated on the basis of amount of overdue, percentage of overdue to the amount outstanding and demanded. It is observed that the amount of overdue (from Rs.4.22 lakhs to Rs.292 lakhs), the percentage of overdue to amount outstanding (5.34 to 38.81), and the percentage of overdue to amount demanded (34.99 to 43.98) increased during the period 1981 to 1985. Thus it is felt that the overdue of Sree Anantha Grameena Bank have been mounting year by year and the recovery performance is not satisfactory. Hence it may be suggested that the bank should take appropriate steps to improve the recovery performance despite the backwardness of the district.

The another indicator to evaluate the performance of the bank is profitability.

Profitability is the prime indicator in evaluating the performance of any economic organisation. Though the
regional rural banks are intended to serve the rural economy it has to run on commercial lines. Hence the performance of regional rural banks can be evaluated on the basis of profitability.

Only 42 regional rural banks out of 173 were able to earn profits by the end of 1984. Similarly five out of twelve regional rural banks in Andhra Pradesh earned profits by the end of 1984. It is observed that Sree Anantha Gramaona Bank incurred losses during 1980 to 1984 to the tune of Rs.37.76 lakhs whereas it earned a net profit of Rs.4 lakhs in the year 1985.

The two important factors which affect the profitability are income and expenditure. Interest on deposits and borrowings constitute majority of the expenditure of the bank. This item increased from 28.98 per cent to 54.51 per cent during the period 1981 to 1985. Interest on Rs.100/- deposit and borrowings increased from Rs.1.39 to Rs.3.81. Interest on advances and bank balances constitute the major item of income of Sree Anantha Gramaona Bank. This item was more than 90 per cent of total income throughout the period 1981 to 1985. Interest on advances and bank balances per Rs.100/- of advances and bank balances increased from Rs.5.42 to Rs.7.56 during the period 1981 to 1985. Thus it is observed that the
rate of income had been more than the rate of expenditure throughout the period 1981 to 1985. It is further observed that the amount of operating profit in absolute terms increased significantly from Rs.9.20 lakhs to Rs.52.55 lakhs during the period 1981 to 1985.

This analysis shows that the main reason for the losses would be the mounting establishment expenditure of the bank. Hence it is suggested that the bank should control the establishment expenditure and it should see that the total establishment expenditure should not be more than the amount of operating profit. In such a case the bank will be in a position to run at least on no profit no loss basis, if not earn profit. Thus this bank would satisfy its object of running on commercial lines.

The above analysis reveals that Sree Anantha Grameena Bank has performed satisfactorily if not excellent in respect of branch expansion, mobilisation of deposits and deployment of credit compared to other banks in the district and other regional rural banks in the country. But its performance in respect of recovery and profitability is not satisfactory. This is mostly because of the backwardness of the district and the poverty line of the people of the district. Hence it is suggested that Sree Anantha Grameena Bank should formulate most productive schemes of financing which yield high rate of return for the benefit of the bank itself, borrowers and the district.