ROLE OF REGIONAL RURAL BANKS IN ANDHRA PRADESH –A STUDY OF NELLORE DISTRICT

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By

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DECLARATION

I P.RAJU (RegNo:*200305001025)* declare that this Work is Original and Carried out by me in the Department of Political Science and Public Administration, Vikrama Simha Puri University, Nellore in Partial fulfillment for the award of the degree of Master of Arts in Political Science. This work or any part of it has not been submitted for the award of any Degree/Diploma either in this University or in any other University.

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CERTIFICATE

This is to certify that the Project work entitled "Role of Regional Rural Banks in Andhra Pradesh –A Study of Nellore District", submitted for the award of Master Degree in Political Science, Department of Political Science and Public Administration, Vikrama Simha Puri University College, Nellore, is the original work carried out by Pralayakaveri Raju (REG.NO:200305001025) 2020-2022 batch student under my supervision and that it has not formed the basis for the award of any Degree or Diploma of this or any University.

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ABBREVIATIONS

USA	:	United States of America
ICA	:	International Co-operative Alliance
ICS	:	Indian Civil Service
RBI	:	Reserve Bank of India
PACS	:	Primary Agricultural Credit Societies
SFDA	:	Small Farmers Development Agency
DCCB	:	District Co-operative Central Bank
NABARD	:	National Bank for Agriculture and Rural Development
PADB	:	Primary Agricultural Development Bank
FAO	:	Food and Agriculture Organization
RRB	:	Regional Rural Bank
NAFSCOB	:	National Federation of State Co-operative Bank
AD	:	Anna Domine
BC	:	Before Christ
DCMS	:	District Co-operative Marketing Society
APCS	:	Andhra Pradesh Co-operative Societies
ICM	:	Institute of Co-operative Management
APCOB	:	Andhra Pradesh State Co-operative Bank
SGSY	:	Swarna Jayanthi Gram Swayamrozgar Yojana
IRDP	:	Integrated Rural Development Programme
MARKFED	:	Marketing Co-operative Federation
APMIP	:	Andhra Pradesh Micro Irrigation Project
ICDP	:	Integrated Co-operative Development Programme
HOUSEFED	:	Housing Societies Federation
APSCU	:	Andhra Pradesh State Co-operative Union
APSVS	:	Andhra Pradesh Vignana Samithi
HACA	:	Hyderabad State Co-operative Association
FSCS	:	Farmers Service Co-operative Society
UCB	:	Urban Co-operative Bank
ECCS	:	Employees Co-operative Credit Society
DCO	:	District Co-operative Officer
DLCO	:	Divisional Level Co-operative Officer
SEZ	:	Special Economic Zone
SHAR	:	Sriharikota High Altitude Range
NDCCB	:	Nellore District Co-operative Central Bank
AIRCSC	:	All India Rural Credit Survey Committee
CASA	:	Current Account Saving Account
CGCI	:	Credit Guarantee Corporation of India
KCC	:	Kissan Credit Card
KVP	:	Kissan Vikas Patra
DCMS	:	District Co-operative Marketing Society
MACS	:	Mutually Aided Co-operative Societies

CHAPTER -I

INTRODUCTION

The Government of India promoted Regional Rural Banks (RRBs) through the RRB's Act of 1976 to bridge the gap in the flow of credit to the rural poor. Despite the various measures taken by the government and the Reserve Bank through social control and the nationalization of 14 major commercial banks, a large proportion of the rural poor remained outside the banking fold. A working group was appointed in 1975 under the Chairmanship of Mr. M. Narasimham, to explore the possibilities of evolving an alternative rural credit agency to benefit the rural poor. The group recommended formation of a new set of regionally oriented rural banks which would combine the local feel and familiarity of rural problems characteristic of cooperatives and the professionalism and large resource base of commercial banks. Rural Banks made a new development in the rural credit system tailored to the needs of the rural people. A Rural Bank may be said as a primary banking institution set up to sene a compact group of villages generally working as a co-operative or as a subsidiary bank of a commercial bank, functioning or set up in a rural area for the purpose of providing banking and credit facilities in that area. The main purpose of the Rural Bank is to provide banking and credit facilities to the rural people. The Regional Rural Banks have been conceived as: (a) an answer to meet the diverse and heterogeneous needs of rural people with different socio-economic and agro geographical conditions, (b) diverted to specific economic and occupational groups, i.e., the small and marginal farmers, agriculture labourers, artisans, etc., and (c) to be catalytic agent to develop the rural economy by providing not only credit but other facilities. They are supposed to be a nucleus of rural development programme in view of their relatively low cost structure, local ethos and professional management. They are government owned, regionally based and rurally oriented banks to supplement the existing institutional credit agencies and not to supplant them in order to fill up the regional and functional gaps in the rural credit institutional system.

1.1. Focus on Cooperatives during 1945

All India Rural Credit Survey carried out in 1954 confirmed that formal credit institutions provided less than 9% of rural credit needs in the country. The traders and rich landlords accounted for more than 75% of rural credit. Cooperative credit societies had already been in existence for 50 years but their share in rural credit was still less than 5 percent. The 1945 Cooperative Planning Committee had discerned early signs of sickness in India's cooperative

movement, finding that a large number of cooperatives were "saddled with the problem of frozen assets, because of heavy over dues in repayment". Even so, in the 1950s and 1960s, the way forward was seen to lie in cooperative credit societies. These cooperatives were to take the lead in the Integrated Scheme of Rural Credit suggested by the AIRCS. The share of cooperatives in rural credit did rise to cross 20% in 1971.Today, India's cooperative credit structure (CCS), with over 15 crores members (including 7 crores borrowers), constitutes one of the largest rural financial systems in the world. The over 1 lakh Primary Agriculture Credit Societies (PACS) can, in many ways, be regarded as the veritable bedrock of India's rural economy. The CCS has 50 per cent more clients than commercial banks and Regional Rural Banks (Grameen Banks) put together. Directly or indirectly, it covers nearly half of India's total population. Hence, the cooperatives have never realized the enormous potential opened up by its vast outreach. According to the Task Force on Revival of Rural Cooperative Credit Institutions, this owes mainly to a "deep impairment of governance". While they were originally visualized as member- driven, democratic, self-governing, self-reliant institutions, cooperatives have over the years, constantly looked up to the state for several basic functions. The Task Force describes in detail how state governments have become the dominant shareholders, managers, regulators, supervisors and auditors of the CCS. The concept of mutuality (with savings and credit functions going together) that provided strength to cooperatives all over the world has been missing in India. This "borrower-driven" system is beset with conflict of interest and has led to regulatory arbitrage, recurrent losses, deposit erosion, poor portfolio quality and a loss of competitive edge for the cooperatives.. Domination by richer elements in the rural elite that characterized cooperatives in the colonial period continues to be an abiding feature of these institutions even after independence in the country. Nationalization of Banks during 1969, during the year 1951, the AIRCS found that the share of banks in rural credit was less than 1 percent. Even through the 1950s and 1 960s, the role of private commercial banks in rural credit remained minimal and indirect. The AIRCS itself had wanted involvement of these banks in agricultural marketing and processing but not directly in farm output. Rural branches of commercial banks were few and far between despite a 1954 RBI directive for them to open at least one branch in unbanked rural and semi-rural areas for every branch opened in previously banked areas. Then the Imperial Bank of India was nationalised in 1955 and the new State Bank of India9 was asked to open 400 branches in semi-urban areas and start agricultural lending, even if at a loss. Even so right up to 1971, the

share of banks in rural credit was no more than 2.4 percent and most of these loans were made to plantations. Their main activity was to finance agro-processing firms and purchase of bonds floated by land development banks. Until the end of the 1960s, the overwhelming share in commercial bank credit was that of industry (62 per cent) and trade and commerce (26 per cent) respectively. Within industry, the distribution of credit was skewed in favour of large borrowers. It is alleged that "advances by private banks were diverted to sister companies of the banks or to companies in which their directors had an interest" particularly Thus, cooperatives remained dominated by the rural elite and banks continued to have an urban bias throughout the twenty years after independence in the country.

1.2. Genesis and History of Grameen Banks in the Globe

Generally during 1970"s there was a growing realization that the benefits of the co- operative credit system have not reached all the sections of rural demography, and the public sector banks like CBs. Grameen Banks were first established in Ghana in 1976 to provide banking services to the rural population, providing finance to small-scale farmers and businesses and supporting development schemes only. Particularly, before the establishment of the first Grameen Banks in 1976, the availability of formal credit in rural communities predominantly made up of small farmers was extremely good. The prime sources of finance were moneylenders and traders charging exorbitant interest rates also. The Government of India had taken some policy measures to improve access to finance in rural communities. The initiatives included a requirement that CBs lend at least 20 per cent of their portfolio for agricultural uses and the establishment of the ADB in 1965 with an exclusive mandate of lending for agriculture and allied industries in rural Ghana economy.

Although, commercial banks and the ADB opened branches in rural areas, with an emphasis on cocoa-growing rural areas only. Particularly, lending to the rural areas remained low; the commercial banks used their rural branches primarily to make payments to cocoa farmers and collect deposits for 27 lending in urban areas respectively. And other banking services, like credit, were not provided as initially envisioned. The CBs demanded higher deposit accounts and stronger collateral requirements to provide loans to rural sector. Number of small farmers and fishermen did not have deposit accounts in commercial banks, and the collateral they had available was not satisfactory for commercial lending. Mensah (1993) and Ranade (1994) found

that the ADB‟s credit provision and coverage were limited. And 27 % of the branches were in rural areas, and lending to smallholder farmers made up only about 15 percent of its total accounts only. Farmers wanted finance that is, loans in order to establish and exist in the agricultural economy like India. During the year 1940s, a complex system of credit institutions fueled good times on the farming system. Farmers wanted two types of finance. Firstly, they need long-term loans to buy land and machines also. Secondly, farmers need short-term loans to buy the "inputs" they need to farm every year also. Farmers need credit to buy seed, fertilizer, herbicides, and pesticides for the cultivation.

1.3. The Genesis of Grameen Banks in India

Grameen Banks are the banking organizations being operated in different states of the country. Grameen Banks have been created to serve the rural areas with banking and financial services. However, Grameen Banks may have branches set up for urban operations and there area of operation may include urban areas also. The important objective of Grameen Banks is to mobilize financial resources from rural / semi-urban areas and grant loans and advances mostly to small and marginal farmers, agricultural laborers and rural artisans also. The area of operation of Grameen Banks is limited to the area as notified by Government of India covering one or more districts in the State. Grameen Banks also perform a variety of different functions. Grameen Banks perform various functions in following heads, providing banking opportunities to rural and semi-urban areas in India. Government operations like disbursement of wages of MGNREGA workers, distribution of pensions etc., Providing ParaBanking facilities like locker facilities, debit and credit cards. Rural communities in India such as small and marginal farmers, landless agricultural laborers, artisans and socially and economically poorer sections, have been exploited in the name of loans by informal sectors in India. The rural banking consists of both formal and informal financial institutions and agencies that meet the credit needs of the rural community in India. The another sector advances loans at very high rates of interest; the terms and conditions attached to such loans have given rise to an elaborate structure of intimidation of both economic and non-economic conditions in the rural masses. The providing of formal credit is inadequate and rural banks are imperfect. Hence, the supply of formal sector credit has been unequal, particularly with respect to region and class, cast and gender in India. The origin and genesis of Grameen Banks in India dates back to the year 1975. So the Narasimham committee

that conceptualized the foundation of Grameen Banks in India. This committee felt the need of regionally oriented rural banks" that would address the problems and requirements of the rural coomunity. Grameen Banks were established under the provisions of an Ordinance promulgated on the 26th September 1975 and the RRB Act, 1975 with an objective to ensure sufficient institutional credit for agriculture and rural development also. The Grameen Banks mobilize financial resources from rural/semi-urban areas and grant loans and advances mostly to small and marginal farmers, only. To the objective of classification of bank branches, the RBI defines rural area as a place with a population of less than 10,000 populations. Grameen Banks are jointly owned by Government of India, the concerned State Government and Sponsor Banks; the issued capital of a Grameen Banks is shared by the owners in the proportion of 50, 15 and 35 per cent respectively. The first five Grameen Banks were set up in five States in Haryana, West Bengal, Rajasthan, with one each and two in Uttar Pradesh, which were sponsored by different CBs in India

1.4. Characteristic Features of Regional Rural Banks

The Regional Rural Banks have the following characteristic features:

1. The area of operation of a Regional Rural Bank is broadly confined to a district. A district is a well-established administrative entity. Normally one RRB is expected to cover a population of 10 to 15 lakhs. In suitable cases, they are permitted to operate in more than one district.

2. RRBs have an authorized Capital of Rs.1 crore and an issued capital of Rs.5 lakhs. The issued capital was subscribed by the Government of India, the sponsoring bank and the concerned state government in the proportion of 50 percent, 35 percent and 15 percent respectively. The ratio is thus, 50: 35: 15.

3. Regional Rural Banks are usually sponsored by the public sector banks. The Regional Rural Banks enjoy the status of public sector banks. By virtue of this status, they get direct access to the RBI's refinance facilities.

4. The management of Regional Rural Banks vests with the board of directors headed by the chairman who is usually an officer of the sponsor bank but appointed by the Govt. of India. The board of directors consist 9 members including the chairman.

5. The Regional Rural Banks are free to recruit their own staff-clerks, subordinate staff and accountants. But in the initial years the sponsor banks provide staff at the level of branch managers and field officers free of cost. The salary of staff employed by Regional Rural Banks directly corresponds to the salary structure of state government employees in the comparative cadres.

6. For collecting deposits from the rural areas, Regional Rural Banks have been allowed to offer a higher rate of interest on their deposits as in the case of co-operative banks. The rates of interest charged on loans by Regional Rural Banks to the borrowers are on par with the rates charged by agencies like co-operative banks to the ultimate borrowers.

7. The Regional Rural Banks keep their deposits with the sponsor banks or with the public sector banks. For their deposits kept in these banks, they receive a rate interest of 9 per cent per annum.

8. The Regional Rural Banks, through scheduled banks have been allowed to maintain a lower level of Cash Reserve Ratio, viz. 3 per cent, as in the case of State Co-operative Banks. This concession has been deemed necessary to increase their lending operations by not impairing their resource position. As in the case of Cash Reserve Ratio, the Regional Rural Banks have been permitted to maintain the statutory liquidity ratio at the minimum of 25 per cent. This is the case with co-operative banks.

9. For their loan operations, the Regional Rural Banks mostly depend upon sponsor banks and RBI (Now NABARD) for finance. The Regional Rural Banks borrow nearly 85 per cent of their required finance from these institutions.

10. Regional Rural Banks are managed by men of the area who are in a better position to know and appreciate the problems of the area. The personnel in the bank have a feeling of local ethos and aspirations.

1.5 Functions of Regional Rural Banks

The Regional Rural Banks are entrusted with the following functions to perform:

1. The Regional Rural Banks are mainly required to open branches in the rural areas while opening branches. The RRBs are expected to spread their branch network is remote rural areas and in rural hinterlands where there is larger concentration of economically weaker sections.

2. The Regional Rural Banks are required to mobilize deposits as far as possible from the small men living in remote rural areas. The aim is to promote saving and investment habit of the rural people who were earlier lacking these habits. This will help the banks to garner adequate deposits from the rural centers.

3. They are required to dispense credit in favour of the economically weaker sections of population in the remote rural areas. In the past, the weaker sections failed to procure adequate amount of credit from either cooperative banks or commercial banks. While granting credit, the Regional Rural Banks are expected in particular to cater to the needs of small and marginal farmers, agricultural labourers and landless workers, rural artisans, small business labourers and landless workers, rural artisans, small businessmen and retail traders and professionally self- employed persons.

4. To provide other banking facilities like remittance of funds and safe keeping of deposits and valuables etc. which are at present provided by commercial banks.

5. They are required to avoid competition as far as possible with other financing agencies like co-operative banks and commercial banks operating in the local areas. Their role will be mainly to supplement and support the efforts of other lending agencies in the rural areas.

The RRBs have a special place in the multi-agency approach adopted to provide agricultural and rural credit in India. These banks are state-sponsored, regionally based and rural-oriented. The RRBs were established "with a view to developing the rural economy by providing, for the purpose of development of agriculture, trade, commerce, industry and other productive activities in the rural areas, credit and other facilities, particularly to small and marginal farmers, agricultural laborers, artisans and small entrepreneurs, and for matters connected therewith and incidental thereto". RRBs have played a key role in rural institutional financing in terms of geographical coverage, clientele outreach, business volume as also contribution to development of the rural economy. A remarkable feature of their retail network in rural areas; from a modest beginning of 6 RRBs with 17 branches covering 12 districts in December 1975, today, there are

43 RRBs with 14,494 branches working in 525 districts across the country. RRBs have a large branch network in the rural area forming around 43 percent of the total rural branches of commercial banks. The rural orientation of RRBs is evident from the fact that their rural and semi-urban branches constituted over 97 percent of their branch network. RRBs, with their wide outreach in rural India, region-centric banking activities and close relationship with the local authorities and population, were ^expected to cater to the credit requirements of the rural areas and provide necessary banking infrastructure. Through the RRBs have been able to mobilize small savings of the rural sector, they have been relatively less successful in enhancing' the flow of credit to the targeted rural poor. Aggregate deposits of RRBs increased from Rs. 4,151 crore in 1990 to Rs. 56,350 crore by March, 2004 owing mainly to their geographical spread and opening of new branches in unbanked areas. The advances of RRBs increased from Rs. 3,554 crore to Rs. 26,114 crore during the above period. Notwithstanding the sharp increase, RRBs advances constituted just around 2 percent of the banking systems credit portfolio. The share of RRBs in total agriculture credit (given by scheduled commercial banks, cooperatives and RRBs) has remained at around 9 percent, despite their strong rural outreach.

The institution of Regional Rural Banks (RRBs) was created to meet the excess e» demand for institutional credit in the rural areas, particularly among the economically and socially marginalized sections. Although the cooperative banks and the commercial banks had reasonable records in terms of geographical coverage and disbursement of credit, in terms of population groups the cooperative banks were dominated by the rural rich, while the commercial banks had a clear urban bias. In order to provide access to low-cost banking facilities to the poor, the Narasimham Working Group (1975) proposed the establishment of a new set of banks, as institutions which "combine the Local feel and the familiarity with rural problems which the cooperatives possess and the degree of business organization, ability to mobilize deposits, access to central money markets and modernized outlook which the commercial banks have". The multiagency approach to rural credit was also to sub serve the needs of the input intensive agricultural strategy (Green Revolution) which had initially focused on 'betting on the strong' but by the mid seventies was ready to spread more widely through the Indian countryside. In addition, the potential and the need for diversification of economic activities in the rural areas had begun to be recognized, and this was a sector where the RRBs could play a meaningful role. The RRBs Act, 1976 succinctly sums up this overall vision to sub-serve both the developmental

and the redistributive objectives. The RRBs were established "with a view to developing the rural economy by providing, for the purpose of development of agriculture, trade, commerce, industry and marginal farmers, agricultural laborers, artisans and small entrepreneurs, and for matters connected therewith and incidental thereto". The following one-and-a-half decades saw large-scale efforts to increase the number of banks and bank branches nationwide, by 2020, there were 43 RRBs with over 21,000 predominantly rural branches in 525 districts with an average coverage of two villages per branch. In addition, the RRBs were instrumental in extending credit for poverty alleviation schemes and disadvantaged area development programs. The expansionary phase of the late seventies and the eighties while more focused on outreach was not devoid of a blueprint for viability of the RRBs, unlike what the mainstream academia and press claim to be the case. It was understood that the RRBs to survive as credit institutions could not remain unviable for a long time, though the RRBs might not become viable in the initial years. This expectation was, however, tempered by the prevalent situation on the field and the ultimate objectives for which these specialized institutions were created. It was realized early that the question of viability of the RRBs could not be the same as other business venture.

Table: 1.1 Expansion of Regional Banks in India: 2013 to 2020

	Dec 2013	Dec 2016	Dec 2020
Banks	67	56	43
Branches	14,444	14,494	21,000

Source: NABARD Reports

Other productive activities in the rural areas, credit and other facilities, particularly to small business unit has all the freedom to take decisions on many matters such as opening branches, deploying its resources, staff recruitment, its purchases, methods of rendering services etc. But the RRBs could not be flexible in many of their affairs; even their clientele was specific, scattered, remote and not assisted by anyone. Keeping in view the objectives, structure and the nature of operations of the RRBs, these institutions could certainly not be evaluated on the basis of mere financial viability. There was a general agreement that the viability of the RRBs had

including increase in business per branch, recovery rate, productivity of staff, and cost effectiveness of operations, closer monitoring, socio-economic upliftment and improvements in the standards of living of the clientele. Again in respect to the viability question, there was considerable flexibility accorded to banks on the time dimension. It was estimated that the RRBs would need about seven years to become viable, though for the RRBs with a large number of infant branches even this period might not be adequate. Between 1980 and 1987, while the number of RRBs increased a little more than two-fold, the number of branches of RRBs increased more than four-fold. It was not totally unexpected therefore that by the end of the 1980s several of these banks were showing losses on their books.

Finance is an important resource in every sector of the national economy. Institutional finance is an important pre-requisite for rural development. The rapid development of agriculture and allied activities following the use of modem science and technology forms the base of economic development. Rural credit policy in India has had at its core the twin goals of bringing an increasing number of people within the formal financial system and using credit as an instrument of poverty alleviation. Several measures have been taken by Government of India and the Reserve Bank of India from time to time to achieve these goals. Even after the commercial banks were brought into the field of rural banking in the post-nationalization scenario to supplement the efforts of co-operatives, a large segment of the rural population remained outside the field of banking services at that time. Hence the Banking Commission (1972) made the recommendation that a chain of Rural Banks be established in addition to the regular branches of commercial banks already opened to be opened in rural areas. Governments of India, vide its notification dated 1" July 1975, constituted the Working Group on Rural Banks under the chairmanship of Sri. M. Narasimham to study in-depth the problem of devising alternative agencies to provide institutional credit to rural people. In its Report submitted on 31" July 1975, the Working Group identified various weaknesses of the co-operative credit agencies and commercial banks and recommended a new type of institution "which combines the local feel and familiarity with problems which co-operatives possess and the degree of business organization, ability to mobilize deposits, access to central money market and a modernized outlook which the commercial banks have". Other recommendations of the Working Group are:

- Rural Banks should be set up as scheduled commercial banks promoted by Government of India, State Government, a commercial bank holding equity in the proportion of 50: 15:35.
- Sponsor Banks to provide managerial, financial and training support to the rural banks.
- Viability aspect of Rural Banks to be emphasized keeping in view that the rural banks may suffer losses in initial years.
- The motive of a Rural Bank should be to work on restructuring and re-organising the productive activities of small borrowers so as to bring them to the level of generating surpluses for the purpose of reinvestment.
- Rural Development Programme were taken into account for the welfare of the farmers
- Agricultural finance is highly technical, vast and varied subject covering a large number of agricultural and its allied activities.

The farmers usually borrow money to run the farm business activities smoothly, i.e. the farm business credit, which in the broad scene means any borrowing by farmers to assist them in the ownership of land or in the production activities. However, the medium term loans are usually provided by these banks. Procedure followed in advancing loan: Since credit is only one amongst the several factors involved in successful farming a proper appraisal of the credit requirement of the farmers is of crucial importance from the point of view of lending institutions. With the entry of commercial banks in the field of financing agriculture, procedure for accepting and scrutinizing loan application and disbursement of loan have acquired a great importance. The commercial banks have reoriented the policies for farm finance so as to increase substantially their involvement in the agriculture sector.

1.6. Review of Literature

Syed Ibrahim. M., (2012) has examined in the objectives of Regional Rural Banks in the priority and non-priority sector landings. The priority sector loans constituted higher in percentage throughout the study. Regional Rural Banks have lent money to the agricultural sector through the short-term and term-loans for the development of the agriculture sectors in the economy. The disbursements of short-term loans for crops during the study period are encouraging and it constituted a higher rate than that of term-loans. Also the loans provide by the

Regional Rural Banks to various groups in the priority sector shows an increasing trend. The years 2007-08 and 2008-09 registered higher growth, when compared to the loans to non- agricultural activities; the highest share is recorded in the agriculture. Generally, non-agricultural sector indirectly helps the rural economy in many ways. Keeping in view, the Regional Rural Banks may enhance the percentage of loan to this sector. This finding may be considerable use to rural banking institutions and policy makers in developing and shaping the appropriate credit structure as Regional Rural Banks are integral part of the rural credit structure in India. The study finds and concludes that Regional Rural Banks in India has significantly improved rural economy.

Girish,K.Nair, Dr.R.Thirumal., (2012)' has analysed the profit making performance of Regional Rural Banks in India. They were always argued that the Regional Rural Banks have not been able to earn much profit in view of their policy of restricting their operation to target groups in spite of that the Regional Rural Banks made a remarkable performance. Regional Rural Banks shortly known as RRBs along with Co-operative and Scheduled Commercial Banks constitute the "multi-agency" approach adopted in rural financing. The growth pattern of the Regional Rural Banks has been analyzed for the selected variables and findings are drawn by adopting the Compound Annual Growth Rate Technique (CAGR). The role of Regional Rural Banks in the betterment of socio- economic movement of the rural society which is hnctionally diverse and geographically widespread deserves for recognition. Time has come to make the rural banking system successhl and the beneficiaries not skeptical about the purpose of its existence. It is evident from the analysis that the "Profit making RRBs" made a significant contribution for the overall growth of Regional Rural Banks in India.

Suman., (2012) has examined the evolution of an effective institutional credit structure, which can meet the credit needs of the rural economy which as one of the basic objectives of credit policy in India. Commercial banks have little interest in rural areas as these banks concentrated on deposits rather than credits. Less than one per cent villages availed financial facilities fiom commercial banks. So there was strong need for the establishment of Regional Rural Banks. The rapid expansion of Regional Rural Banks has helped in reducing substantially the regional disparities in respect of banking facilities in India. Generation of additional sources of income and employment in rural population has been the main objective of Regional Rural Banks. He concluded that the Regional Rural Banks are setup to take banking to door steps of

rural households, to avail easy and cheaper credit to weaker rural section and to generate employment in rural areas. The banks are striving hard to provide best banking service in its command area. Government should take some effective remedial steps to make Grameena Banks viable.

Dr. Nishi Sharma(2012) has analysed the financial performance of Regional Rural Banks during Pre and Post Amalgamation Period. His study pointed out that in rural areas poor level of rural savings, inadequate infrastructure, low deposits have pushed up the cost of operations and many RRBs have to incur financial losses. Their study analyses the significance of difference in these variables occurred during 12 years from 1999-2011. The structural consolidation of the Regional Rural Banks through amalgamation has bought tremendous opportunities for Regional Rural Banks to groom. It enabled them to become financially sound and bigger in terms of business volume as well as outreach. The amalgamation of loss making Regional Rural Banks has improved the profitability of Regional Rural Banks and has grown the number of profit making Regional Rural Banks. Like the non-performing assets has shown a significant decline after the amalgamation in terms of gross as well as net non performing assets. Similarly return on equity has also shown advancement in post period. The study demonstrates that the amalgamation of Regional Rural Banks has equipped them in a better way to attain the targets of rural development and financial inclusion.

Abhay Kumar .K, Anil Kumar Soni (2013) has observed that the Regional Rural Banks have played a vital role in agriculture and rural development of Chhattisgarh. The Regional Rural Banks have more reached to the rural area of Chhattisgarh through their huge network. The success of rural credit in Chhattisgarh is largely depends on their financial strength. At present, most of the Regional Rural Banks are facing the problems of overdue, recovery, non-performing assets and other problems. They conclude that CGB is largest bank of Chhattisgarh in district coverage and branch network but the productivity of CGB is low in comparison of DRGB and SKGB. Regional Rural Banks in Chhattisgarh are an integral part of the rural credit structure of the state. As we analyze the data it shows that Regional Rural Banks in Chhattisgarh are working for the 360 degree development of rural areas of the state. In short we can say that it providing rural Chhattisgarh all round assistance and proved to be an institution where "Growth with Social Justice" exists.

1.7. NEED FOR THE PRESENT STUDY

Of late there has been considerable progress in the Regional Rural Banks. It is, therefore, time to make an empirical study of the performance of Regional Rural Banks. So that their problems that confront them could be identify in the light of the above experience. In India, several official and non-official studies have been undertaken from time to time in the domain of Regional Rural Banks at national, state and regional levels. These studies have provided answers to only certain questions; but, in-depth, area specific studies are comparatively limited in number. Such studies are of great significance in the context of vast regional and institutional variations in developing countries like India. The present study is an attempt to Role of Regional Rural Banks in Nellore Districts in Andra Pradesh.

1.8. OBJECTIVES OF THE STUDY

The main objectives of the study are: 1. To review the progress of Regional Rural Banks in India and Andhra Pradesh. 2. To analyze the performance of Regional Rural Banks in Nellore District. The main objectives of Regional Rural Banks are to provide credit facility and services to the rural areas so that the economy can be accelerated on the path of development. Taking full amount of local ethos and local conditions, these banks would be quite different in attitude and operation from the public sector co-operative banks. As against the elitist and urban-oriented operations of the public sector commercial banks, the Regional Rural Banks are rural-oriented and specially tailored to cater to the needs of rural areas especially rural poor. They are special institutions aiming at correcting the regional imbalances and functional deficiencies in institutional structure vis-a-vis the weaker sections and identified main problems. The following are the main objectives of RRBs in India: 1. Integrate package activities towards the goal of achieving integrated rural development. 2. Full coverage of potential target population. 3. To inculcate banking habits in the rural masses and to tap idle money by way of deposits and lend the same for productive purposes. 4. To provide credit facilities to the weaker and neglected sections of the society with special reference to the 20-point economic programme.

1.9. PLAN OF THE STUDY

The chapter scheme of the present study is as follows

CHAPTER –I

EVOLUTION OF REGIONAL RURAL BANKS IN INDIA

After Independence, a vast majority of cultivators are small and marginal cultivators and nearly 50.0 per cent of the rural households are land less agricultural labourers in India. There are also poor artisans who are carrying on industrial activities allied to agricultural operations, viz. carpentry, black smithy, fittery etc. For the development of rural sector, finance is an important factor to carry both for day-to-day activities and also for growth and progress. The main sources of institutional finance for rural sector are co-operative societies, commercial banks, the Reserve Bank of India and specially established institutes like Regional Rural Banks. At present Regional Rural Banks are playing a vital role in providing finance for rural development and weaker sections of the economy. Hence in this chapter an attempt has been made to review the weakness of co-operative banks, failure of commercial banks and establishment of Regional Rural Banks in providing finance to agriculture and weaker sections of the economy.

2.1. Origin of RRBs

The proposal for setting up Rural Banks was first mooted by the Banking Commission (1 969), appointed by the Central Government under the chairmanship of Mr. R.G. Saraiya. The

Commission has submitted its report in 1972. The Commission reviews thoroughly in the totality the strength and weaknesses of the commercial banks and co- operative banks and expressed serious doubts on the role of commercial and co-operative banks in fulfilling the credit requirements of rural sector. Regional Rural Banks (RRBs) are expanded to take the banking services to the doorsteps of rural masses especially in remote areas with no access to banking services. These banks were to provide institutional credit to the weaker sections of the society at concessional rate of interest, who had perforce been depending on private money-lenders. The banks were also intended to mobilize rural savings and channelise for supporting for productive activities in the rural areas.

The Rural Banks could be formed in one of the three ways:

1. By converting certain viable primary agriculture societies into ' Rural Cooperative Banks' offering full banking facilities, as well as certain closely allied non-banking services;
2. By structuring a good primary agricultural credit society as a commercial bank; or
3. A commercial bank setting up its own subsidiary.

A rural bank coming from the second and third ways listed above was marked 'rural subsidiary bank' in order to distinguish themselves from the rural co-operative banks created in first form. However, no action was initiated by the Government of India till June 1975 in this direction. The '20-points Economic Programme' announced by the Government on 1 July, 1975 provided an opportunity for rethinking in setting up 'Rural Banks' for providing rural credit, as some of the points of this programme specifically aimed at ameliorating the lot of the weaker sections of the rural society. It was felt necessary by the Government that, new institutions on the basis of attitudinal and operational ethos entirely different from those operating in the public sector banks. The Government of India seriously considered the idea of setting up rural banks as a new alternative source of credit to meet the requirements of weaker sections of the rural society. The Government of India, Ministry of Finance constituted a Working Group on July 1, 1977 under chairmanship of Shri M. Narasimham to examine in-depth the setting of rural banks as subsidiaries of public sector banks to cater to the needs of rural people. The Group in its report submitted on 30 July, 1975, within a short span of one month, recommended setting up of the Regional Rural Banks oriented to rural credit. The Government of India accepted the recommendation of setting up of Regional Rural Banks. The Regional Rural Bank was first set

up by the Government o f India on 2" October 1975, the date of birth of Mahatma Gandhi, under the Regional Rural Banks Ordinance, 1975 promulgated by the President of India on 26 September 1976 which has subsequently been replaced by the Regional Rural Banks Act, 1976 on 9 February 1976

2.2. Objectives of Regional Rural Banks

The main objectives of Regional Rural Banks are to provide credit facility and services to the rural areas so that the economy can be accelerated on the path of development. Taking full amount of local ethos and local conditions, these banks would be quite different in attitude and operation from the public sector co-operative banks. As against the elitist and urban-oriented operations of the public sector commercial banks, the Regional Rural Banks are rural-oriented and specially tailored to cater to the needs of rural areas especially rural poor. They are special institutions aiming at correcting the regional imbalances and functional deficiencies in institutional structure vis-a-vis the weaker sections and identified main problems.

The following are the main objectives of RRBs in India:

1. Integrate package activities towards the goal of achieving integrated rural development.
2. Full coverage of potential target population.
3. To inculcate banking habits in the rural masses and to tap idle money by way of deposits and lend the same for productive purposes.
4. To provide credit facilities to the weaker and neglected sections of the society with special reference to the 20-point economic programme.

2.3. Prominent Postulates of Regional Rural Banks

At the time of their promotion on 2 October 1975 (birth anniversary of Father of the nation-Mahatma Gandhi) following prominent postulates were postulated for Regional Rural Banks:

1. **Regional Character-** The regional character is an adopted feature of RRBs in which the area of operation of these banks is restricts to a 'region' comprising of one or more districts in a State.
2. Low Cost Alternative- These banks were conceived as a low cost alternative credit agency in the rural areas with smaller branch offices without the elaborate paraphernalia and lower salary structure for its employees than commercial banks.

***3.* Employees-** In order to ensure local feel of the co-operatives the employee are to be selected from the area of operation of the banks.

4. Characteristics- These are 'small man's banks' and cater exclusively to the credit requirement of small and marginal farmers, agricultural labourers, rural artisans, petty baders, transport operation like camelibullocMbuffalo carts etc. called the target group.

5. Replica of Scheduled Commercial Banks - They are small replica of scheduled commercial banks and combine the advantages of the local feel of the co-operatives and financial strength, organizational and managerial skills of the commercial banks.

***6.* Rural Based Organisation** - These banks are rural based, simple decor and having local staff who understand rural people, their needs, hopes, aspirations, urges, expectations, problems and difficulties.

***7.* Beneficiaries Oriented** - These are beneficiaries' oriented rural development banks for poverty alleviation programme linked with credit.

2.4. Characteristic Features of Regional Rural Banks

The Regional Rural Banks have the following characteristic features:

1. The area of operation of a Regional Rural Bank is broadly confined to a district. **A** district is a well-established administrative entity. Normally one RRB is expected to cover a population of 10 to 15 lakhs. In suitable cases, they are permitted to operate in more than one district.

2. RRBs have an authorized Capital of Rs.1 crore and an issued capital of Rs.5 lakhs. The issued capital was subscribed by the Government of India, the sponsoring bank and the concerned state government in the proportion of 50 percent, 35 percent and 15 percent respectively. The ratio is thus, 50:35: 15.

3. Regional Rural Banks are usually sponsored by the public sector banks.The Regional Rural Banks enjoy the status of public sector banks. By virtue of this status, they get direct access to the RBI's refinance facilities.

4. The management of Regional Rural Banks vests with the board of directors headed by the chairman who is usually an officer of the sponsor bank but appointed by the Govt. of India. The board of directors consist 9 members including the chairman.

5. The Regional Rural Banks are free to recruit their own staff-clerks, subordinate staff and accountants. But in the initial years the sponsor banks provide staff at the level of branch managers and field officers free of cost. The salary of staff employed by Regional Rural Banks directly corresponds to the salary structure of state government employees in the comparative cadres.

6. For collecting deposits from the rural areas, Regional Rural Banks have been allowed to offer a higher rate of interest on their deposits as in the case of co-operative banks. The rates of interest charged on loans by Regional Rural Banks to the borrowers are on par with the rates charged by agencies like co-operative banks to the ultimate borrowers.

7. The Regional Rural Banks keep their deposits with the sponsor banks or with the public sector banks. For their deposits kept in these banks, they receive a rate interest of 9 per cent per annum.

8. The Regional Rural Banks, through scheduled banks have been allowed to maintain a lower level of Cash Reserve Ratio, viz. 3 per cent, as in the case of State Co-operative Banks. This concession has been deemed necessary to increase their lending operations by not impairing their resource position. As in the case of Cash Reserve Ratio, the Regional Rural Banks have been permitted to maintain the statutory liquidity ratio at the minimum of 25 per cent. This is the case with co-operative banks.

9. For their loan operations, the Regional Rural Banks mostly depend upon sponsor banks and RBI (Now NABARD) for finance. The Regional Rural Banks borrow nearly 85 per cent of their required finance from these institutions.

10. Regional Rural Banks are managed by men of the area who are in a better position to know and appreciate the problems of the area. The personnel in the bank have a feeling of local ethos and aspirations.

2.5. Functions of Regional Rural Banks

The Regional Rural Banks are entrusted with the following functions to perform:

1. The Regional Rural Banks are mainly required to open branches in the rural areas while opening branches. The RRBs are expected to spread their branch network is remote rural areas and in rural hinterlands where there is larger concentration of economically weaker sections.

2. The Regional Rural Banks are required to mobilize deposits as far as possible from the small men living in remote rural areas. The aim is to promote saving and investment habit of the rural people who were earlier lacking these habits. This will help the banks to garner adequate deposits from the rural centers.

3. They are required to dispense credit in favour of the economically weaker sections of population in the remote rural areas. In the past, the weaker sections failed to procure adequate amount of credit from either cooperative banks or commercial banks. While granting credit, the Regional Rural Banks are expected in particular to cater to the needs of small and marginal farmers, agricultural labourers and landless workers, rural artisans, small business labourers and landless workers, rural artisans, small businessmen and retail traders and professionally self- employed persons.

4. To provide other banking facilities like remittance of funds and safe keeping of deposits and valuables etc. which are at present provided by commercial banks.

5. They are required to avoid competition as far as possible with other financing agencies like co-operative banks and commercial banks operating in the local areas. Their role will be mainly to supplement and support the efforts of other lending agencies in the rural areas.

Jurisdiction

The jurisdiction of each Regional Rural Bank is normally the geographical area of a district in a State and that of its branches within the districts. The Regional Rural Banks are established mainly on regional basis. They work in a compact area of operation with uniform agro-climatic condition and rural element. Generally, a branch of the Regional Rural Bank covers one to three blocks. The Dantwala Committee has recommended that Regional Rural Banks should become an integral part of the rural credit structure and priority for establishing Regional Rural Banks should be given to those districts where the central co-operative bank is weak. Many rural cultivators particularly those belonging to the vulnerable groups, have no access to cooperative credit. Regional Rural Banks are more suitable for taking care of the credit needs of this section. Apart from the fact that Regional Rural Banks devote special attention to the weaker sections.

They have the advantage of lower cost of operation as compared to the commercial banks. Regional Rural Banks ue managed by men of the area who are in a better position to know and appreciate the problems of the area. Being a district level organization, it can be trusted to take banking closer to the rural households and ensure more effective supervision over the use of credit. Each Regional Rural Bank is sponsored by a scheduled commercial bank in consultation with the State Government and the Central Government. The sponsoring commercial banks subscribe its share capital to Regional Rural Banks provide managerial and other staff assistance for the initial five years period and give financial assistance on mutually negotiated terms. The sponsoring banks provide refinance facility, equity, contribution and managerial subsidy in the form of cost-free staff, recruitment and training facilities in the initial year of their working in finding suitable staff and in giving them adequate training. The key personnel are being provided by sponsor banks for a period until Regional Rural Banks are in a position to develop their own personnel through suitable training and otherwise to take over the relevant responsibilities. While the SBI has set up separate training centre for the Regional Rural Bank staff, other sponsor banks conduct special courses for the Regional Rural Banks staff at centers meant for their staff. It is recommended that facilities for recruitment and training and technical assistance should continue to be provided by the sponsor banks, on the same terms for a period of 10 years for each Regional Rural Bank. Therefore, any arrangement of assistance of this type can be decided upon by mutual agreement between the sponsor banks and the Regional Rural Bank.

The *Regional Rural Banks* ***(RRBs)*** were established in 1975 under the provisions of the Ordinance promulgated on 26th September, 1975 and Regional Rural Banks Act, 1976 with a view to developing the rural economy by providing, for the purpose of development of agriculture, trade, commerce, industry and other productive activities in the rural areas, credit and other facilities, particularly to small and marginal farmers, agricultural labourers, artisans and small entrepreneurs, and for matters connected therewith and incidental thereto.

The aggregate Deposits and Advances of all RRBs (sponsored by the Bank) as on 31.03.2020 stood at Rs.24, 53,310.54 Cr and Rs.23,53,787.83 Cr respectively. The RRBs together have posted a Profit of Rs.39,893,24 Cr during the FY 2019-20. The bulk of the loans from RRBs were to the priority sector. All these RRBs are on Core Banking platform. In addition to that, SBI has implemented various technology products in its sponsored RRBs which enabled them to

adopt modern technologies in banking. This has helped the RRBs to improve their performance at par with Commercial Banks.

Table: 2.1. List of Regional Rural Banks Functioning in the Country

S.NO	**Name of Regional Rural Bank**	**Sponsor Bank**	**State**
1	Andhra Pradesh Grameena Vikas Bank	State Bank of India	Telangana
2	Andhra Pragathi Grameena Bank	Canara Bank	Andhra Pradesh
3	Arunachal Pradesh Rural Bank	State Bank of India	Arunachal Pradesh
4	Aryavart Bank	Bank of India	Uttar Pradesh
5	Assam Gramin Vikash Bank	Punjab National Bank	Assam
6	Bangiya Gramin Vikash Bank	Punjab National Bank	West Bengal
7	Baroda Gujarat Gramin Bank	Bank of Baroda	Gujarat
8	Baroda Rajasthan Kshetriya Gramin Bank	Bank of Baroda	Rajasthan
9	Chaitanya Godavari Grameena Bank	Union Bank of India	Andhra Pradesh
10	Baroda UP Bank	Bank of Baroda	Uttar Pradesh
11	Chhattisgarh Rajya Gramin Bank	State Bank of India	Chhattisgarh
12	Dakshin Bihar Gramin Bank	Punjab National Bank	Bihar
13	Ellaquai Dehati Bank	State Bank of India	Jammu & Kashmir
	Himachal Pradesh Gramin Bank	Punjab National	Himachal Pradesh

14		Bank	
15	&K Grameen Bank	J&K Bank Ltd.	Jammu & Kashmir
16	Jharkhand Rajya Gramin Bank	State Bank of India	Jharkhand
17	Karnataka Gramin Bank	Canara Bank	Karnataka
18	Karnataka Vikas Grameena Bank	Canara Bank	Karnataka
19	Kerala Gramin Bank	Canara Bank	Kerala
20	Madhya Pradesh Gramin Bank	Bank of India	Madhya Pradesh
21	Madhyanchal Gramin Bank	State Bank of India	Madhya Pradesh
23	Manipur Rural Bank	Punjab National Bank	Manipur
24	Meghalaya Rural Bank	State Bank of India	Meghalaya
25	Mizoram Rural Bank	State Bank of India	Mizoram
26	Nagaland Rural Bank	State Bank of India	Nagaland
27	Odisha Gramya Bank	Indian Overseas Bank	Odisha
28	Paschim Banga Gramin Bank	UCO Bank	West Bengal
29	Prathama UP Gramin Bank	Punjab National Bank	Uttar Pradesh
30	Puduvai Bharthiar Grama Bank	Indian Bank	Puducherry

31	Punjab Gramin Bank	Punjab National Bank	Punjab
32	Rajasthan Marudhara Gramin Bank	State Bank of India	Rajasthan
33	Saptagiri Grameena Bank	Indian Bank	Andhra Pradesh
34	Sarva Haryana Gramin Bank	Punjab National Bank	Haryana
35	Saurashtra Gramin Bank	State Bank of India	Gujarat
36	Tamil Nadu Grama Bank	Indian Bank	Tamil Nadu
37	Telangana Grameena Bank	State Bank of India	Telangana
38	Tripura Gramin Bank	Punjab National Bank	Tripura
39	Utkal Grameen Bank	State Bank of India	Odisha
40	Uttar Banga Kshetriya Gramin Bank	Central Bank of India	West Bengal
41	Uttar Bihar Gramin Bank	Central Bank of India	Bihar
42	Uttarakhand Gramin Bank	State Bank of India	Uttarakhand
43	Vidharbha Konkan Gramin Bank	Bank of India	Maharashtra

Source: NABARD

2.6. Management of Regional Rural Banks

The Regional Rural Banks are controlled and managed by a Board of Directors consisting of nine members (including Chairman). They are appointed by the Government of India, Sponsor Bank/ State Government. Three Directors are nominated by the Government of India (in addition to Chairman), two by the State Government and remaining three by the sponsoring bank. Most of them are officials of the concerned authority. The CRAFICARD recommended for nomination of at least two non-officials- one by the Government of India and another by the sponsor bank- who are progressive small farmers, social workers, or persons connected with rural welfare, agricultural development, and village industry. These are non-official members on the Board of Directors. The responsibility of overseeing and the functioning of RRB during the initial phases of Regional Rural Banks were put on the steering Committee of the Government of India. This Committee gave way to a new Steering Committee in the RBI itself after Dantwala Committee, the entire control, regulation as well as the promotional, developmental responsibility relating to Regional Rural Banks should vest with the Reserve Bank of India. The CRAFICARD fully endorsed this recommendation with the modification that NABARDD (National Bank for Agriculture and Rural Development) will take the place of RBI in the new set-up. According the NABARD has full responsibility to control and regulate the functioning of the Regional Rural Banks. The first Chairman of Regional Rural Bank is appointed by the sponsor bank for a initial period of **3** to 5 years and the subsequent appointment is made by the Board of Directors of the concerned RB. The process of recruitment takes place at three levels: (A) Branch Manager, (B) Field Officer, and (C) the cashier-cum-clerk. They are appointed by the Board of Directors of the concerned Regional Rural Banks. The minimum qualification is Bachelor degree for the Manager and Officer and Matriculation for Cashier-cum-clerk. The salary of the personnel of Regional Rural Bank is prescribed in accordance with the salary structure available to the comparative employees of the State Government and local bodies.

Hence, the establishment of a new class of rural banks in two alternative ways was suggested i.e. (1) some selected viable Primary Agricultural Credit Societies could be converted into rural cooperative banks and **(2)** by establishing subsidiaries of commercial banks in rural areas or by Organizing Primary Agricultural Credit Societies as subsidiary of Commercial Bank. The Commission submitted a very comprehensive report covering various important aspects including capital structure, interest rate policy and linkages with other government bodies.

The commission recommended in its report for setting up of 'rural banks' as a remedy to set right local imbalances in banking facilities in rural areas of the country. The commission recommended that in area where the co-operative credit structure is generally weak, a rural bank may be established either by making a good primary agricultural credit society to work as a subsidiary of a commercial bank or by the commercial bank setting up its own subsidiary. Such a rural bank may be called a rural subsidiary bank. It should retain the useful features of co- operative credit institutions such as local participation, flexibility as regard increasing share capital, arrangements for selling shares to local people, etc. The parent bank will provide it with full technical and financial support. As per Commission, while the rural banks are basically banks and will perform all the banking function, it will be desirable to enable them to perform certain non-banking functions, such as constructing and maintaining godowns on their own, supplying as agents of agricultural inputs and acquiring of agricultural and other equipment for leasing it out, providing assistance in the marketing of agricultural and other products and generally helping in the overall development of the village in the area.

2.7. Organizational Structure of RRBs

The organizational structure for Regional Rural Banks is shown in chart **2.1**.

However, there are variations depending on the staff strength, volume of business, area of coverage, number of branches and other local priorities. Board is the top management authority in Regional Rural Bank and the chairmen is the chief executive. He is assisted by a general manager/ Administrative Officer. Various functional departments at Head Office are headed by the officers of the rank of senior managers. To facilitate the effective control of Head Office on the branches, separate Area Offices have been established in most of the Regional Rural Banks. These are manned by Area Managers which are equivalent to senior managers in Head Office. Generally an Area Office looks after 25-35 branches. Branches in Regional Rural Banks are headed by Branch Managers, who in turn are assisted by field offices and 2-3 clerks in large brunches. However smaller branches in several banks have only one person. Although Area Offices were opened with the objective of assisting Head Office in control and supervision on one hand and providing guidance to branches on the other, but in reality branch managers perceive them as one more tier between them and Head Office.

The organizational structure for RRB's varies from branch to branch and depends upon the nature and size of business done by the branch. The head office of an RRB normally had three to nine departments. The following is the decision making hierarchy of officials in a RRB.

Chart.2.1 Organizational Structure of RRB

- Board of Directors
- Chairman & Managing Director
- General Manager
- Assistant General Manager
- Regional Manager/Chief Manager
- Senior Manager
- Manager
- Officer
- Office Assistant
- Office Attendant

CHAPTER –III

GROWTH AND PROGRESS OF REGIONAL RURAL BANKS IN ANDHRA PRADESH

3.I. I PROFILE OF ANDHRA PRADESH

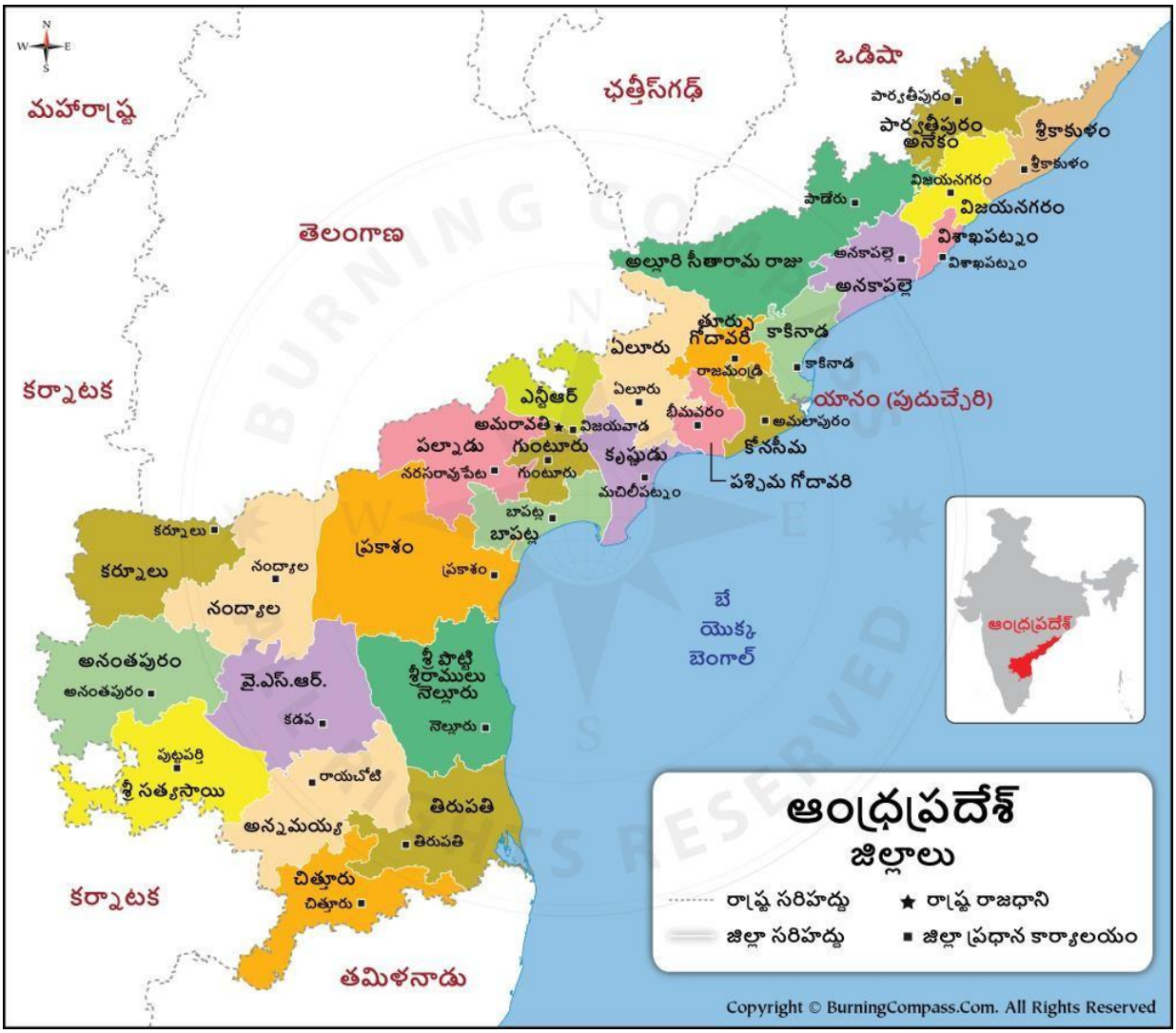
Andhra Pradesh, state of India, located in the southeastern part of the subcontinent. It is bounded by the Indian states of Tamil Nadu to the south, Karnataka to the southwest and west, Telangana to the northwest and north, and Odisha to the northeast. The eastern boundary is a 600-mile (970-km) coastline along the Bay of Bengal. Telangana was a region within Andhra Pradesh for almost six decades, but in 2014 it was carved off to form a separate state. The capital of both Andhra Pradesh and Telangana is Hyderabad, in west-central Telangana. The state draws its name from the Andhra people, who have inhabited the area since antiquity and developed their own language, Telugu. Andhra Pradesh came into existence in its present form in 1956 as a result of the demand of the Andhras for a separate state. Although it is primarily agricultural, the state has some mining activity and a significant amount of industry. Area 106,204 square miles (275,068 square km). Pop. (2011) 84,665,533.

The population of Andhra Pradesh, like that of the other states of India, is highly diverse. In general, the state's various communities are identified more readily by a combination of language, religion, and social class or caste than they are by specific ethnic affiliation. Telugu is the official and most widely spoken language in the state. A small minority speaks Urdu, a language primarily of northern India and Pakistan. Most of the remaining groups speak border-area languages, including Hindi, Tamil, Kannada, Marathi, and Oriya. Lambadi (Banjari) and a number of other languages are spoken by the state's Scheduled Tribes (the official designation for indigenous minority peoples who are outside of India's caste hierarchy). Members of the Scheduled Tribes and the Scheduled Castes (the official designation for those formerly called "untouchables") constitute more than one-fifth of Andhra Pradesh's total population.

3.1.2 Geographical Features of Andhra Pradesh

The state has three main physiographic regions: the coastal plain to the east, extending from the Bay of Bengal to the mountain ranges; the mountain ranges themselves, the Eastern Ghats, which form the western flank of the coastal plain; and, in the southwest, the plateau to the west of the Ghats.

ANDHRA PRADESH MAP



3.II.I GROWTH AND PROGRESS OF REGIONAL RURAL, BANKS IN ANDHRA PRADESH

The Regional Rural Banks are playing a crucial role in mobilizing resources in the form of deposits and lending them as advances to the needy and weaker sections of the rural areas particularly by the expansion of bank branches. As the state of Andhra Pradesh has been chosen for the study area, an attempt has been made in this chapter to examine the trends and progress of branch expansion, deposit mobilization and credit creation of Regional Rural Banks. The main purpose of Regional Rural Banks is to mobilize financial resources from rural *1* semi-urban areas and grant loans and advances mostly to small and marginal farmers, agricultural laborers and rural artisans. The area of operation of Regional Rural Banks is limited to the area as notified by Government of India covering one or more districts in the State. Regional Rural Banks also perform a variety of different hctions. Regional Rural Banks perform various functions in following (a) Providing banking facilities to rural and semi-urban areas. Carrying out government operations like disbursement of wages of MGNREGA workers, distribution of pensions etc. (b) Providing Para-Banking facilities like locker facilities, debit and credit cards, kisan credit cards etc.

The year-wise number of Regional Rural Banks, number of branches and district covered in Andhra Pradesh is shown in table-3.1. The table shows that the number of Regional Rural Banks has declined and also the number of bank branches has decreased. And all the districts in the state have been covered. Total number of RRBs has reduced to five in 2012-13 from 4 in 2019- 20 and the number of bank branches has been decreased to 1531 in 2014-15 from 1015 in 2015-16. The table shows that fluctuating the Bank Branches in Andhra Pradesh.

Table: 3.1. Regional Rural Bank Branches in Andhra Pradesh

S.NO	Year	No. of RRBs	No. of Branches
1	2010-11	5	1312
2	2011-12	5	

			1341
3	2012-13	5	1403
4	2013-14	4	1496
5	2014-15	4	1531
6	2015-16	4	1015
7	2016-17	4	1098
8	2017-18	4	1171
9	2018-19	4	1231
10	2019-20	4	1263

Source: Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, RBI, Various Issues.

3. II.2. The Progress Analysis of RRBs in Andhra Pradesh

The accounting quantitative relation simplifies and summaries a protracted array of information and makes them perceivable. A comparison of profit and money soundness is created between one firm and another within the same business. Accounting ratios area unit useful in prediction and also the plans for the long run. The present year's ratios area unit compared with those of the previous years and if some weak spots area unit so set, remedial measures area unit taken to correct them. Accounting ratios area unit ready for many years; they'll reveal the trend of prices, sales, profits, and alternative vital facts. It helps them in

discharging their social control functions e.g., planning, organizing, directing, communication, and dominant additional effectively. In quantitative relation analysis the ratios are also classified into the 5 classes as follows; (A) Liquidity quantitative relations (B) profit Ratios (C) Activity Ratios (D) Economic condition Ratios (E) Assets Quality Ratio.

The current ratio in the year 2010 was 2.44 times; in 2013 it was 1.48 times; in 2017it was 3.55 times and in 2019 it was 2.59 times. The average current ratio was 2.43 times by the APGB between the study periods. The total current assets were increased to Rs.8,35,120.51 lakhs (2.52 times); total current liabilities also increased to Rs.3,14,866.65 lakhs (2.33 times). The current ratio was increased by 0.15 between 2010 and 2019. The Credit Deposit Ratio for the present year 2019 is 0.95 times. During the period 2009 to 2013, the ratio was increased rapidly from 0.99 times to 1.21 times. Later the ratio has shown the downtrend from2014 to 2017 from 0.92 times to 0.87 times. The maximum ratio is 1.21 times recorded in the 2013-14 period and the minimum ratio is 0.82 times in the year 2016-17. The average level of credit deposit ratio of the bank is 1.017 times. The total advances were increased to Rs.10,18,118.89 lakhs (2.90 times); Total deposits were also increased to Rs.10,80,744.48 lakhs (3.07 times). The credit deposit ratio was decreased 0.04 between 2009-10 and 2018-19.

The Cash to deposit Ratio for the year 2018-19 is 48.97%. In the initial period from 2009 to 2011, the ratio increased from 71.42% to 71.53 percent. Later in 2013 suddenly the ratio fell by 56.84 percent. The highest ratio of APGB is 71.53 percent in the year 2012 and the lowest ratio is 48.19% in the year 2015. The total cash& bank balances were increased to Rs.4,29,470.75 lakhs (2.04 times); Total deposits were also increased to Rs.10,11,893.24lakhs (3.44 times). The cash to deposit ratio was decreased by 22.45 between 2009-10 and 2018-19.

Table: 3.2 Ratio of Andhra Pragathi Gramena Bank during 2010-2019

Year	Current Ratio(times)	Credit Deposit Ratio(times)	Cash Deposit Ratio (%)	Net Profit margin Ratio (%)
2009-10	2.44	0.99	71.42	39.36
2010-11	1.56	1.03	71.40	48
2011-12	1.56	1.20	71.53	55.49
2012-13	1.48	1.34	56.84	57.40
2013-14	2.03	1.21	53.11	59.16
2014-15	3.22	0.92	48.19	61.03
2015-16	3.21	0.84	52.96	61.26
2016-17	3.55	0.82	51.42	64.14
2017-18	2.70	0.87	49.47	76.11
2018-19	2.59	0.95	48.97	85.28

Source: NABARD, RBI and RRB Reports.

The Net profit margin ratio was 85.28% in 2019. In 2009 -10 the ratio is 39.35 percent. The maximumratio was 85.28 percent in the year 2018-19 and the minimum ratio is 39.35 in the 2009-10 year. The average ratio is 60.72 percent for Andhra Pragathi Grameena bank. The total net profit was increased to Rs.12449 lakhs (1.16 times); Total revenue was stabled to Rs.27,106.68 lakhs. The net profit margin ratio was increased by 45.93% between 2010 and 2019. The Return on equity ratio of Andhra Pragathi Grameena bank during the period during 2009 to 2019 the ratio was increased continuously. The highest ratio was 46.32 percent recorded in the year 2018-19 and the lowest ratio was 21.38 percent in the year 2009-10.The average return on equity ratio is 32.98 percent for the APGB in the study period. The total net income of APGB has increased to Rs.12,44,900 lakhs; Total revenue was stabled to Rs.49,90,000 lakhs and the return on equity ratio was increased to 24.94% between 2010 and 2018-19. The Working capital turnover ratio was 0.03 times in 2019. At the beginning stage 2009-10 to 2010-11 there

was growth in working capital turnover ratio from 0.14 times to 0.25 times. The highest ratio 0.25 times in the year 2010-11 and the lowest ratio 0.03 times were recorded in 2018-19. The average working capital turnover ratio is 0.098 times in the study period. The total revenue was stabled to Rs.27,106.68 lakhs; the total working capital was increased to Rs.5,20,255.86 lakhs. The working capital turnover ratio was decreased from 0.14 to 0.03 between 2009-10 and 2018- 19.

Table 3.3: Ratio analysis of Andhra Pragathi Gramena Bank during 2010-19

Year	Return on equity ratio(%)	Working Capital Turnover ratio (times)	Debt equity ratio (times)	Net NPA Ratio (%)
2009-2010	21.38	0.14	6.62	0
2010-11	26.07	0.25	6.93	0.29
2011-12	30.14	0.19	6.85	0.45
2012-13	31.18	0.15	7.32	0.08
2014-15	33.15	0.04	6.87	1.23
2015-16	33.27	0.04	7.05	2.14
2016-17	34.84	0.03	6.61	2.03
2017-18	41.34	0.03	7.04	1.19
2018-19	46.32	0.03	7.17	0

Source: NABARD, RBI and RRB Reports.

The debt-equity ratio was 7.17 times in 2019. During the study period, the ratio was ratio has increased from 6.62 times to 7.17 times. The maximum ratio of the bank was 7.32 times in the year 2012-13 and the minimum debt-equity ratio recorded 6.61 times in the year 2016-17. The total debt was increased to Rs.11,16248.37 lakhs; the total net worth was increased to Rs.1,50,014.65 lakhs and the Debt equity ratio was increased to 0.55 times between 2009-10 and 2018-19. The Net NPA ratio was 0.29 in 2010-11; it increased to 2.03 and decreased to 1.19 in

CHAPTER –IV

PERFORMANCE OF REGIONAL RURAL BANKS IN NELLORE DISTRICT

4.I. I. PROFILE OF SRI POTTI SRIRAMULU NELLORE DISTRICT

The name of Nellore district has been changed as Sri Potti Sriramulu Nellore District on 4th June, 2008. SPSR Nellore District is one of the nine Coastal districts of Andhra Pradesh and it is the Southern most one. It lies between 13o 25’ and 15o 55’ N of the Northern Latitude and 79o

9’ and 80o 14’ of the Eastern Longitude. It spreads over an area of 13,076 Sq.Kms and these accounts for 4.75% of total area of the State.

4.1.2. Boundaries of the District:

The district is bounded by the following places and features on all the four sides.

East : Bay of Bengal

West : Veligonda Hills which separately it from Kadapa District

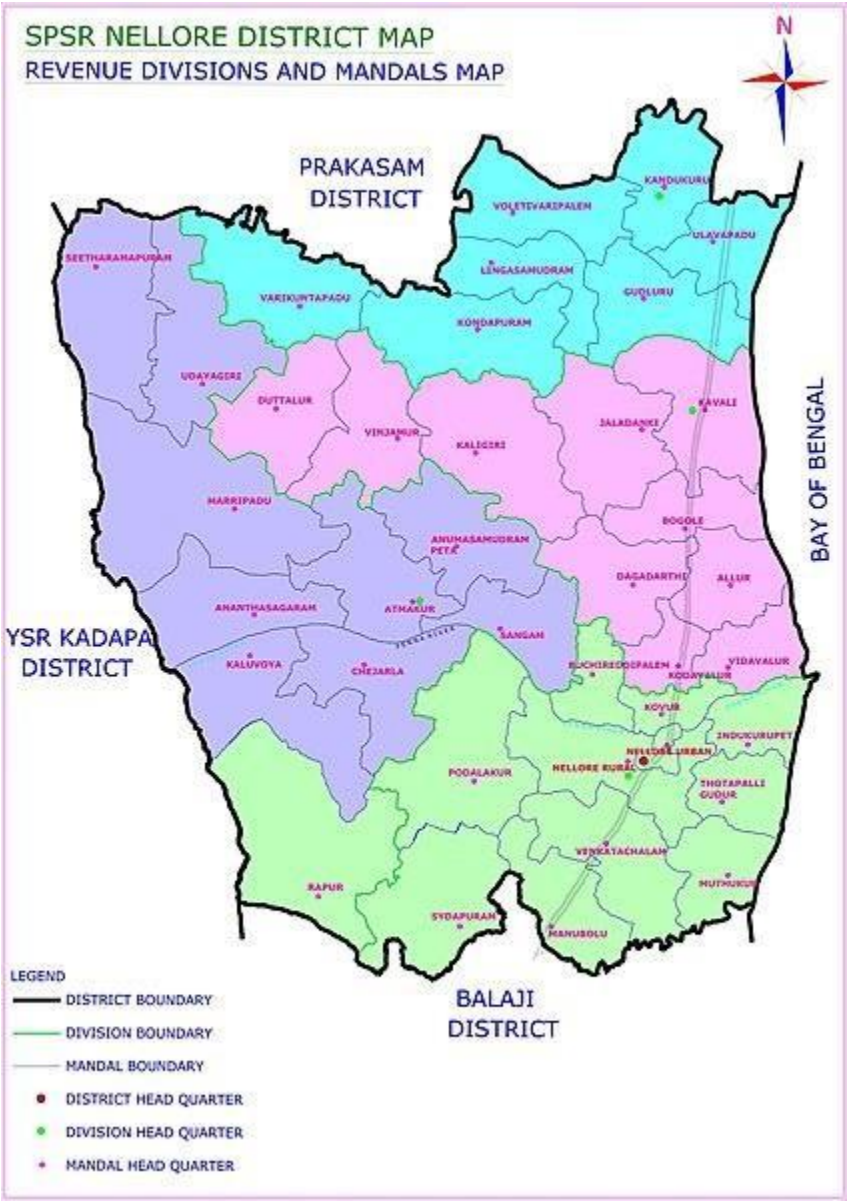
North : Prakasam District

South : Chittoor District and Tamilanadu

4.I.3. NATURAL RESOURCES

A. Rivers

The Principal Rivers are Pennar and Swarnamukhi. The other streams are Kandaleru and Boggeru which are occasionally torrential in character during rainy season. The rivers and rivulets remain dry for major part of the year and carry floods during rainy season. Pennar river is the most important one and flows for about 112 Kms in the district which serve as a boon to the eastern half of the taluks of Nellore and Kovur. Two anicuts are situated one at Sangam and the other at Nellore.


SPSR NELLORE DISTRICT MAP
REVENUE DIVISIONS AND MANDALS MAP
N
PRAKASAM DISTRICT
YSR KADAPA DISTRICT
BALAJI DISTRICT
BAY OF BENGAL
KANDUKURU
VOLETIVARIPALEM
ULAVAPADU
SEETHARAMAPURAM
LINGASAMUDRAM
GUDLURU
VARIKUNTAPADU
KONDAPURAM
UDAYAGIRI
DUTTALUR
KAVALI
VINJAMUR
JALADANKI
KALIGIRI
MARRIPADU
BOGOLE
ANUMASAMUDRAM PETA
DAGADARTHI
ALLUR
ANANTHASAGARAM
ATMAKUR
SANGAM
KALUVOYA
CHEJARLA
BUCHIREDDIPALEM
KODAVALUR
VIDAVALUR
KOVUR
INDUKURUPET
NELLORE URBAN
NELLORE RURAL
POODALAKUR
THOTAPALLI GUDUR
VENKATACHALAM
MUTHUKUR
RAPUR
SYDAPURAM
MANUBOLU
LEGEND
DISTRICT BOUNDARY
DIVISION BOUNDARY
MANDAL BOUNDARY
DISTRICT HEAD QUARTER
DIVISION HEAD QUARTER
MANDAL HEAD QUARTER

B. Soil Types

The soils of the district are classified as black, red and sandy. The red soil is predominant with 40 per cent of the area in the district whereas a belt of sand runs along the sea coast. The black cotton soil and sandy loams occupy 23 per cent and 34 per cent of the area respectively.

C. Flora and Fauna

As much as 20.09 per cent of the total area of the district is occupied by forest.But all the forests are not productive. Class I forests which are being under scientific management for a long time past registered good growth. The Plain forests are devoid of wild life worth the name. Hill forests harbor wild life and occasionally tigers cross over this district from the forests of Kadapa district. The Pulicat Lake in the district harbour migratory birds since it is the host of water birds. Fish and other marine organisms also thrive in the lake.

D. Seasonal Conditions

Aberrations in weather and fluctuations occur in seasonal conditions have become a hallmark of the District. Though here are four distinct sowing periods, it is essentially only three crop seasons existing viz., early Kharif, main Rabi and late Rabi. This is on account of failure of Monsoon in the Southern belt and owing to depressions in November and December months. Thus the main season gets postponed if South-West monsoon fails to yield minimum precipitation. Sowings will be completed earlier if good adequate rains are received and followed by drought in regular Rabi. Because of vagaries of nature, frequent drought conditions prevail during South West Monsoon, followed by Cyclones in North-East Monsoon. As such the sown crops in agricultural seasons would have obvious impact because of glaring fluctuations in seasonal conditions.

E. Climate and Rainfall

District lies in an area of precarious and uncertain rainfall. As such the climate of the district is generally dry and salubrious. Generally April, May and June are the hottest months with highest maximum temperature recorded was 42.3 C in May whereas the temperature is low in the months of November, December and normal rainfall of the district is 1080 m.m during the reference year 2019- 20, the actual quantum of rainfall received was 959.5 m.m with deficit of -

10.9%. The major portion of the rainfall is received during the North East Monsoon period to an extent of 675.8mm.

4.I.5. DEMOGRAPHIC PROFILE OF THE DISTRICT

A. Population

The total area of the district is 13.076 Sq.Kms. The total population of the district as per 2011 population census is 29.66 lakhs. Out of this, the rural and urban populations are 22.30 lakhs and 7.36 lakhs respectively forming 75.19 per cent and 24.81 per cent of the total population. The density of population is 204 per Sq.km. The population of females per 1000 males is 984. The population covered under Scheduled Castes and Scheduled Tribe communities is 6.52 Lakhs and 2.69 Lakhs respectively. The decennial growth rate is registered at 11.55 per cent whereas the density of population per Sq. Km has been increased from 204 to 227 in the period 2001-2011.

As regards the working population of the district, there are as many as 14.24 lakhs main workers out of the total population of 29.66 Lakhs. The balance being the non-workers to an extent of 15.42 lakhs. The main workers and marginal workers form 81.3 per cent and 18.7 per cent respectively out of the total work force.

B. Education

Education sector plays an important role for Socio Economic Development of the society at large. The Government has been investing huge amounts on creating education infrastructure including recruitment of teachers in all categories apart from providing pucca buildings for their housing and providing necessary amenities. Because of these constructive measures, the literacy rate has been phenomenally increased to 72.04 per cent a little above the State literacy at 67.66 per cent. The existing infrastructure viz., Primary, Upper Primary, High Schools besides others is furnished hereunder comprehensively.

There are as many as 2,941 primary schools existing in the district. Out of them, number of primary schools are being managed by Mandal Parishads which account for 2,648 schools while the balance by others. A total of 654 Upper Primary schools are functioning in the district under all the managements. Among them Mandal Parishads account for 492 schools forming 76 per cent. As many as 3969 teachers are in position in all the Upper Primary schools. There are 512 High Schools existing in the District in the reference year under all managements. A large number of schools to an extent of 303 are being managed by Zilla Parishad while 20 and 149 High Schools under Municipality and Aided & Unaided managements respectively. As many as 5,113 teachers are in position in all the categories in High Schools. There are 153 Junior Colleges employing 1,331lecturers. Enrolment of Boys and Girls in different Colleges are also envisaged in the 16th Sector.

C. Medical and Health

The specific details of various infrastructure available in respect of Medical and Health Department in the district for different disciplines such as Allopathic,Ayurvedic, Unani and Homeopathy total of the 94 Hospitals, Primary Health Centres, Mobile Medical Units and Dispensaries are existing in the district apart from one each District Headquarters Hospital and Hospital for Special treatment. Special wings in each specialization are in position. There are as many as 1,371 beds available in the hospitals duly managed by 250 Doctors.

There are 25,6 and 13 Ayurvedic, Unani and Homeopathy Hospitals and dispensaries in the district. As many as 22,837 sterilizations were done during 2008-2009 which comprise 372 Vasectomies and 22,465 Tubectomies. IUDs were utilized to an extent of 15,987.

4.4. AGRICULTURE

is the main stay of the people in the district. The total geographical area of the district is 13.07 lakh hectares. Out of this, an extent in terms of 50.61 per cent alone is arable whereas 20.09 per cent of the area is covered by forests. The rest is distributed among Barren and Uncultivable land and Land Put to Non-Agricultural Uses which constitute 10.57 per cent and 18.73 per cent of the geographical area respectively. The Net area sown forms 26.96 per cent of the total geographical area while the cultivable waste and fallow lands constitute 16.61 per cent. The total cropped area of the district is 4.18 Lakh hectares during the year 2008-09 which forms

32 per cent of the total area of the district. The principal crops being grown are Paddy, Bajra, Sugarcane, Groundnut, Fruits & Vegetables, Chillies, Cotton and Tobacco. Sunflower Crop is gradually gaining momentum and is preferred by most of the farmers to other crops.

As per the Census of operational holdings conducted with reference year 2005,a total of 4,19,398 operational holdings are existing for all social groups whichinclude institutional, joint and individual holdings with 459588 hectares of area operated. Among them, as many as 84,738 and 21,073 operational holdings belong to SC and ST communities and the area operated by them is 51,934 and 11,782 hectares respectively.

Administrative Divisions

There are 5 Revenue Divisions with headquarters at Kavali, Nellore,Gudur, Atmakur and Naidupet. 46 Revenue Mandals with equal number of Mandal Parishads are also existing in the District. A total of 940 Gram Panchayats are in position comprising all notified Gram Panchayats. There is 1 Municipal Corporation at Nellore, 5 Municipalities at Kavali,Gudur, Venkatagiri, Atmakur and Sullurpet and One Nagar Panchayat at Naidupet.

4. II.1. PERFORMANCE OF REGIONAL RURAL BANKS IN NELLORE DISTRICT

Andhra Pragathi Grameena Bank is a regional rural bank in Andhra Pradesh. The Bank was established in the year 2006 as a Scheduled Commercial Bank, on the basis of the Regional Rural Banks Act of 1976 to provide facilities in Rayalaseema region of Andhra Pradesh. This bank is operational in five different districts in Andhra Pradesh, including Nellore. It mainly caters to the rural and poor people of this region. Placing our Organisation at the highest altitude among the RRBs in the country and making it financially strong, viable, vibrant and an effective proactive instrument of social change, with an eye to work for overall development of the people and the economy of the operational area, through aggressive banking. Andhra Pragathi Grameena Bank came into existence from 01.06.2006 by amalgamating Rayalaseema Grameena Bank, Sri Anantha Grameena Bank and Pinakini Grameena Bank consequent upon the Government of India Notification dt.01.06.2006. The Bank is constituted under Regional Rural Banks Act 1976. The Bank is having its Head Office at KADAPA with a jurisdiction of 5 districts namely Anantapuramu, YSR Kadapa, Kurnool, SPSR Nellore and Prakasam. The Bank

is having 8 Regional Offices with its Head quarters at 5 district Head Quarters, Kadiri of Anantapuramu district, Nandyal of Kurnool district and in Rajampet of Kadapa district. The Bank is providing banking services with its 552 branches. The Bank is catering to the needs of Rural Poor mainly and to all other sectors also. The Bank has been playing a pivotal role in economic development of its operational area by outreaching the people in the countryside. The entire area of operation of the Bank, which is mostly in Rayalaseema region, is characterized by drought and backwardness. About 75% of the population in the area lives in countryside. The soils are mostly black and red, about 75% of the area is rain fed and farmers depend on rain fed crops and Irrigation sources viz., canals, tanks, bore wells etc., the major crops grown are paddy, cotton (hybrid), chilies, vegetables, horticulture crops like banana, papaya, sweet orange, mango etc., and under rain fed conditions the major crops grown are ground nut, jowar, Bengal gram, sun-flower, coriander, tobacco, etc. The area is rich in minerals viz., barites, limestone, granite, galaxy black and colour slabs, slates etc.

The bank caters to the financial needs of the rural poor in one of the most backward regions of Andhra Pradesh state. The Bank is headquartered at Kadapa and presently its area of operation is extended to 5 districts of Andhra Pradesh state. In 2010 the bank received the "best bank" award from Andhra Pradesh Chief Minister Konijeti Rosaiah.

- To increase the business on a sustainable manner with consistent efforts and bringing all the house holds in the operational area into banking folds.
- To fine tune the existing products and design new products and services to match the competition prevailing in the market.
- To mould the staff of the bank as computer literate and technologically savvy and to achieve hundred percent computerization of branches.
- To continue to be a true friend, philosopher and guide to customers with dedicated service and accelerate the pace of development of the operational area for accomplishing the Bank's Objectives.

During the last decade, Regional Rural Banks (RRBs) have undergone significant structural and operational changes, be it two-phased amalgamation, implementation of CBS platform or

recapitalization, inter alia. Considering the growing significance of RRBs in pursuit of financial inclusion agenda, it has been decided to revise the priority sector guidelines for RRBs.

At a meeting of the National Credit Council held in July 1968, it was emphasised that commercial banks should increase their involvement in the financing of priority sectors, viz., agriculture and small scale industries. The description of the priority sectors was later formalised in 1972 on the basis of the report submitted by the Informal Study Group on Statistics relating to advances to the Priority Sectors constituted by the Reserve Bank in May 1971. On the basis of this report, the Reserve Bank prescribed for commercial banks a modified return for reporting priority sector advances and certain guidelines were issued in this connection indicating the scope of the items to be included under the various categories of priority sector. Although initially there was no specific target fixed in respect of priority sector lending, in November 1974 the commercial banks were advised to raise the share of these sectors in their aggregate advances to the level of 33 1/3 per cent by March 1979. At a meeting of the Union Finance Minister with the Chief Executive Officers of public sector banks held in March 1980, it was agreed that banks should aim at raising the proportion of their advances to priority sector to 40 per cent by March 1985. Subsequently, on the basis of the recommendations of the Working Group on the Modalities of Implementation of Priority Sector Lending and the Twenty Point Economic Programme by Banks (Chairman: Dr. K. S. Krishnaswamy), all commercial banks were advised to achieve the target of priority sector lending at 40 per cent of aggregate bank advances by 1985. Sub-targets were also specified for lending to agriculture and the weaker sections within the priority sector. Since then, there have been several changes in the scope of priority sector lending and the targets and sub-targets applicable to various bank groups.

RRBs were originally allowed to lend only to the Target Group comprising small and marginal farmers, landless labourers, rural artisans and other weaker sections of society. Subsequently, they were allowed to lend up to 60 per cent of their incremental lending during a year to Non-Target Group borrowers. After a review, it was decided that from the financial year beginning April 1, 1997, the advances of RRBs to Priority Sector borrowers were to constitute 40 per cent of their outstanding advances, as in the case of commercial banks. Within the overall target of 40 per cent, the advances granted to weaker sections of society were to constitute 25 per cent of the Priority Sector advances (i.e. 10 per cent of total outstanding advances). The levels of

achievements vis-à-vis the prescribed targets as above for lending to priority sector by RRBs were reviewed in the meeting with the Estimate Committee of Parliament held on August 6, 2002. With a view to providing more credit to the segments under priority sector, it was decided that RRBs should achieve a target of 60 per cent of their outstanding advances for priority sector lending as against 40 per cent. Further, of the total priority sector advances, at least 25 percent (i.e. 15 percent of the total advances) were required to be advanced to weaker sections of the society. The revised targets were made effective from the year 2003-04.

4. II.2. Internal Working Group on Priority Sector Lending

On the basis of the recommendations made in September 2005 by the Internal Working Group (Chairman: Shri C. S. Murthy), set up in Reserve Bank to examine, review and recommend changes, if any, in the existing policy on priority sector lending including the segments constituting the priority sector, targets and sub-targets, etc. and the comments/suggestions received thereon from banks, financial institutions, public and the Indian Banks' Association (IBA), it has been decided to include only those sectors as part of the priority sector, that impact large sections of the population, the weaker sections and the sectors which are employment-intensive such as agriculture, and tiny and small enterprises. Accordingly, the broad categories of priority sector for RRBs will be as under:

4. II.3. CATEGORIES OF PRIORITY SECTOR

(i) Agriculture (Direct and Indirect finance):-

Direct finance to agriculture shall include short, medium and long term loans given for agriculture and allied activities (dairy, fishery, piggery, poultry, beekeeping, etc.) directly to individual farmers, Self-Help Groups (SHGs) or Joint Liability Groups (JLGs) of individual farmers without limit and to others (such as corporates, partnership firms and institutions) up to the limits indicated in Section I, for taking up agriculture/allied activities. Indirect finance to agriculture shall include loans given for agriculture and allied activities as specified in Section I, appended.

(ii) Micro and Small Enterprises (Direct and Indirect Finance):-

Direct finance to micro and small enterprises shall include all loans given to micro and small (manufacturing) enterprises engaged in manufacture / production, processing or preservation of goods, and micro and small (service) enterprises engaged in providing or rendering of services, and whose investment in plant and machinery and equipment (original cost excluding land and building and such items as mentioned therein) respectively, does not exceed the amounts specified in Section I. The micro and small (service) enterprises shall include small road & water transport operators, small business, professional & self-employed persons, retail trade i.e. advances granted to retail traders dealing in essential commodities (fair price shops), consumer co-operative stores and advances granted to private retail traders with credit limits not exceeding Rs.20 lakh and all other service enterprises, as per the definition given in section I appended. Indirect finance to small enterprises shall include finance to any person providing inputs to or marketing the output of artisans, village and cottage industries, handlooms and to cooperatives of producers in this sector.

(iii) Micro Credit:

Provision of credit and other financial services and products of very small amounts not exceeding Rs. 50,000 per borrower, either directly or indirectly through a SHG/JLG mechanism will constitute micro credit.

(iv) Education loans:

Educational loans include loans and advances granted to individuals for educational purposes up to Rs.10 lakh for studies in India and Rs.20 lakh for studies abroad, and do not include those granted to institutions. Loans granted to educational institutions will be eligible to be classified as priority sector advances under micro and small (service) enterprises, provided they satisfy the provisions of MSMED Act, 2006 .

(v) Housing loans:

Loans up to Rs. 25 lakh to individuals for purchase/ construction of dwelling unit per family, (excluding loans granted by banks to their own employees) and loans given for repairs to the damaged dwelling units of families up to Rs. 1 lakh in rural and semi-urban areas and up to Rs. 2 lakh in urban and metropolitan areas.Branch wise list of Andhra Pragathi Grameena Bank in Nellore District

Andhra Pragathi Grameena Bank has following branches in Nellore district. List as follows: A K Nagar Nellore, Adurupalli, Allur, Atmakur N, Baddevolu, Bangarupet, Brahmanakraka, Butchireddipalem, Chakalakonda, Chejerla, Chilakalamari, Children Park Road Nellore, Chintalapalem, Dakkili, Duvuuru, Duvvur Ramanamma Women S College, Dycus Road Branch, Eduru, Gandipalem, Gouravaram, Gudur N, Gunapadu, Gundemadakala, Harranathapuram Nellore, Indukurpet, Jagadevipeta, Jaladanki, Janathapeta Kavali, Jonnawada, Kaligiri, Kaluvoy, Kasumur, Kavali, Kondapuram, Kota, Kovur, Kullur, Kurugonda, Malavya Nagar Branch Gudur, Mallam, Mamuduru, Manga Nellore, Marripadu, Mohammadapuram, Mulapet Nellore, Mulumudi Bus Stand Nellore, Muthukur, Naidupet, Nandi Padu, Narrawada, Nellore Balaji Nagar, Nellore Kisan Nagar, Nellore Main, Nellore Sangha Mitra Vidyalaya, Nellore Vedayapalem, Nidiguntapalem, Pedaputtedu, Pellakuru, Podalakur, Poolathota, Rajupalem, Rapur, Rudrakota, Siddanakonduru, Stonehousepet Branch Nellore, Sullurpet, Tada, Talahanchi, Tikkavaram, Udayagiri, Utkur, Vakadu, Vasili, Vavilla, Veguru, Venkatagiri, Venkatagiri Cross Roads and Vinjamur. You can find bank codes using the branch links.

4. II.4. **Vision of Regional Rural Banks in Nellore District**

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- To increase the business on a sustainable manner with consistent efforts and bringing all the households in the operational area into banking folds.
- To fine tune the existing products and design new products and services to match the competition prevailing in the market.
- To mould the staff of the bank as computer literate and technologically savvy and to achieve hundred percent computerization of branches.
- To continue to be a true friend, philosopher and guide to customers with dedicated service and accelerate the pace of development of the operational area for accomplishing the Bank's Objectives.

4.II.5. **Agricultural Finance**

(i) Pragathi KCC: The Kisan Credit Card has emerged as an innovative credit delivery mechanism to meet the production credit requirements of the farmers in a timely and hassle-free manner. Main features of the scheme are (a) Meeting the short term credit requirements for cultivation of crops (b) Post Harvest expenses (c) Produce Marketing Loan (d) Consumption requirements of farmer household (e) Working Capital requirement for maintenance of farm assets and activities allied to agriculture, dairy animals, inland fisheries etc.

(ii) KCC (AH&F): The Government of India has been providing the Interest Subvention @2% p.a. on the loans arranged to the farmers under Pragathi Kisan Credit Cards / Crop Loans upto Rs.3.00 lakhs provided the loans are arranged @7% p.a. rate of interest.

(iii) Pragathi Produce Loan Scheme: The scheme is introduced to protect the interest of the farmers, who are the Bank's major clientele, by financing against the pledge of Warehouse Receipts (in respect of produce stored by the farmers) issued by Central and State Warehouses and private godowns having collateral management agreement services approved by bank

(iv) Rythu Mitra Groups (RMGs): In order to consider financial assistance mainly to the SF/MF/Tenant Farmers/Share Croppers/Lessee farmers, financial assistance required to RMGs may be realistically assessed and financed and repeat finance may be extended on savings to loan ratio up to 1:20 depending on quality of the RMG and the recovery position of the loans extended to RMGs.The financial assistance can be for Crop Production, Investment Credit, etc. and repayment period shall be as per the scheme/purpose. The good functioning groups shall only be considered for financial assistance.

(v) Joint Liability Groups (JLGs): It is an informal group comprising 4 – 10 members. The JLG is primarily a credit group and savings by the JLG members is voluntary. The members of JLGs can avail loan either singly or through group mechanism. Group shall comprise members of similar socio-economic status and background and carrying out farm related activities, who agree to function as JLG. The farmers joining the group should cultivate the lands in the same village or in a contiguous area known to each other well and has interest and mutual trust to continue as group members.

(vi) Financing Tenant Farmers (CCRC): Govt. of AP brought new act viz., Andhra Pradesh Crop Cultivator Right Act 2019 during Aug 2019. Under that act Crop Cultivator Rights Cards (CCRC) will be issued with the mutual agreement of land owner and cultivator for the period of 11 months, which entitles the tenant farmer to avail bank finance

(vii) Investment Credit: Term Finance to borrowers engaged in allied activities like Dairy Farming (Pala Dhara) (Mini Dairy units), Sheep Rearing, Heifer Calf Rearing, Ram lamb

Rearing, Pragathi Farm Mechanization, Minor Irrigation including Sprinkler and Drip Irrigation, Floriculture, Horticulture and Orchards, Bio-Diesel, Land Purchase Scheme, Agri. Business & Agri. Clinics, Pragathi Jaladhara, Sericulture, Fisheries, Rural Godowns, Bio-Gas, Organic Farming, Vermiculture and Vermi composting, Poly houses, Cold Storage, Milk Chilling Centers, etc.

(viii) Self Help Groups (SHGs): In tune with the Government of India/Reserve Bank of India/NABARD policy for extending hassle-free financial support to the Self Help Groups, the SHG bank linkage programme shall be given due importance. All the eligible groups, with membership ranging from 10-20, shall be considered for financial assistance adequately in the form of Cash Credit / Overdraft facility basing on the corpus and Micro Credit Plans.

4. II.6. Micro, Small and Medium (MSME)

(i) Micro, Small and Medium (MSME): Advances to SSI, SRTO, Retail Trade, Small Business and Professional & Self- Employed Persons are redefined as Micro and Small Enterprises covering manufacturing, processing/ preservation of goods and service activities. A facility for coverage of eligible loans upto Rs.50.00 lakhs under CGTMSE guarantee cover is available.

(ii) Pragathi Trade Overdraft: Customers who are dealing in trade, business, small scale industries, contractors, registered commission agents are eligible to avail Pragathi Trade Overdraft. This facility can be provided for working capital needs of the Business enterprises. Need based finance upto Rs.500 lakhs.

(iii) Pragathi SRTO: This scheme is introduced to meet the financial requirements for purchase of power driven vehicles i.e. Auto Rickshaws, Van, Boat, Lorry, Truck, Cabstar, Cars etc. Finance upto 85% of cost of the vehicle. CGTMSE guarantee cover is available for loans upto Rs.10.00 lakhs

(iv) Pragathi Show Room Furnishing / Shop Renovation Scheme: The scheme aims at catering to the needs of Traders/ Shop keepers/ Show room owners who are going to renovate the existing shop or for furnishing of their proposed new shop. There is ample scope to finance new customer under this scheme to improve credit growth.

(v) Prime Minister's Employment Generation Programme (PMEGP): The scheme is implemented by Khadi and Village Industries Commission (KVIC) functioning as the nodal agency at the national level. At the state level, the scheme is implemented through State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs), District Industries Centres (DICs) and banks.The maximum cost of the project/unit admissible in manufacturing sector is Rs.25 lakhs and in the business/service sector, it is Rs.10 lakhs. Eligible subsidy under PMEGP (of project cost) for General category 15%(Urban), 25%(Rural), Special category like SC/ ST/ OBC/ Minorities/Women, Ex-servicemen, Physically handicapped, etc. is 25%(Urban), 35%(Rural) The balance amount of the total project cost will be provided by the banks in the form of term loan and working capital. The repayment schedule is ranging between 3 to 7 years.

(vi) Pradhan Mantri Mudra Yojana (PMMY): The finance under PMMY segment mainly consists of Non-farm Enterprises in Manufacturing, Trading and Services, whose credit needs are below Rs.10.00 Lakh. Loans given to this segment for income generation will be known as "MUDRA" loans under the Pradhan Mantri MUDRA Yojana (PMMY) and branded accordingly. Pragathi Swagruha Loan: Maximum loan upto Rs.150.00 lakhs. Margin varies between 10-25% on the cost of construction/Purchase of the House. Security is mortgage of the site and building to be constructed thereon. Flexible repayment period upto 70/75 years of age of the applicant. For repairs/renovations also, we will consider loans upto Rs.6.00 lakhs.

4. II.7. Retail Products

(i) Pragathi Swagruha Plus: A hassle free top up loan to existing Housing Loan customers with regular repayment record. Loan amount upto Rs.5.00 lakhs with repayment period upto 84 Months.

(ii) Pragathi Conveyance Loan: For Purchase of Brand New vehicle (2 & 4 wheelers) for personal use. Maximum finance for purchase of 4 wheeler is Rs.15.00 lakhs with a flexible repayment period upto 84 Months. 85/90% of the on road finance of the vehicle.

(iii) Pragathi Vidya Loan: Adopts IBA Model education loan scheme. Financial assistance for study in India and Abroad. Need based finance upto Rs.30.00 lakhs.

(iv) Pragathi Multi Purpose Mortgage Loan: To provide financial assistance for any genuine business / personal credit requirements the loan under PMPML scheme on Residential/Commercial Property. Loan assistance upto Rs.100.00 lakhs with a repayment period upto 7 years.

(v) Personal Banking Loan: Personal loans to employees in Govt., Quasi Govt., Local Bodies, Govt. Aided Bodies, etc. who are drawing their salaries through our branches are eligible to avail these loans. Maximum loan of 15 times the Gross salary subject to cutback norms. Repayment upto 5 years.

(vi) Rent Plus: A retail credit scheme against the rent receivables to deliver the credit to such categories of clientele who are getting assured rental income from the registered lease deeds executed with reputed Corporates with a minimum lease period of 36 months and maximum period not exceeding 120 months of rent receivable to be financed. The maximum amount that can be sanctioned is 120 months rent receivable.

4.II.8.. NABARD Sponsored Schemes

(i) Agriculture Infrastructure fund-The scheme shall provide a medium - long term debt financing facility for investment in viable projects for post-harvest management Infrastructure and community farming assets through interest subvention and financial support.

(ii) Mission for Integrated Development of Horticulture (MIDH) a Centrally Sponsored Scheme for the holistic growth of the horticulture sector covering fruits, vegetables, root & tuber crops, mushrooms, spices, flowers, aromatic plants, coconut, cashew, cocoa and bamboo.

(iii) Agri clinic and Agri Business Centres (ACABC) Scheme which aims to promote the establishment of Agri-Clinics and Agri-Business Centres (ACABC) all over the country. Agri-Clinics are envisaged to provide expert advice and services to farmers on various aspects to enhance productivity of crops/animals and increase the incomes of farmers.

(iv) New Agricultural Marketing Infrastructure (AMI) sub- scheme of Integrated Scheme for Agricultural Marketing (ISAM) being implemented by Government of India to develop marketing infrastructure to effectively handle and manage marketable surpluses of agricultural and allied produce. Further to promote innovative and latest technologies in post-harvest and agricultural marketing infrastructure through alternative & competitive marketing channels for agricultural and allied produce through incentivizing private and cooperative sectors to make investments there for and to benefit the farmers individually and collectively through FPOs from farm level processing and marketing of processed produce along with promotion of small size processing units.

(v) New Centrally Sponsored Scheme "Scheme for Formalization of Micro food processing Enterprises (FME)", an all India Scheme to modernize and enhance the competitiveness of the existing individual micro enterprises and with the key objectives to Increase access to finance, Increase in revenues of target enterprises, Enhanced compliance with food quality and safety standard, Strengthening capacities of support systems, Special focus on Women entrepreneurs and Aspirational Districts, Encourage Waste to Wealth activities and Focus on minor forest produce in Tribal Districts and Transition from the unorganized sector to the formal sector.

(vi) Special Refinance Scheme in Watershed /Wadi project areas - A concessional refinance scheme of NABARD under Automatic Refinance Facility to enable banks to obtain financial accommodation for their finance to additional economic activities covering primary, secondary and tertiary sectors in watershed and micro food processing activities in wadi project areas and to deepen institutional credit to beneficiaries in these project areas.

(vii) Special Refinance Scheme for Financing Water Sanitation and Hygiene Activities (WASH) - A concessional refinance scheme of NABARD under Automatic Refinance Facility to enable banks to obtain financial accommodation for their finance to WASH activities such as

construction of toilets / twin-pit toilets, converting toilet to toilet-cum-bathroom with piped water connection, construction of overhead water tanks, additional bathroom-cum-toilet, installing piped water connection, retrofitting and up gradation of dysfunctional toilets, etc.

(viii) Financing of Farmers Producers Organization (FPO) promoted under Government of India scheme or promotion of 10,000 FPOs across the country as well as other FPOs promoted by NABARD in the State of Andhra Pradesh wherein the Formation and promotion of FPOs is based on "produce clusters" approach and whereas under the scheme grant assistance towards Management and Incubation will be provided for 5 years from the year of formation and the Eligible lending institutions can avail Credit Guarantee cover.

CHAPTER -V

FINDINGS AND SUGGESTIONS

The Government of India promoted Regional Rural Banks (RRBs) through the RRB's Act of 1976 to bridge the gap in the flow of credit to the rural poor. Despite the various measures taken by the government and the Reserve Bank through social control and the nationalization of 14 major commercial banks, a large proportion of the rural poor remained outside the banking fold. A working group was appointed in 1975 under the Chairmanship of Mr. M. Narasimham, to explore the possibilities of evolving an alternative rural credit agency to benefit the rural poor. The group recommended formation of a new set of regionally oriented rural banks which would combine the local feel and familiarity of rural problems characteristic of cooperatives and the professionalism and large resource base of commercial banks. Rural Banks made a new development in the rural credit system tailored to the needs of the rural people. A Rural Bank may be said as a primary banking institution set up to sene a compact group of villages generally working as a co-operative or as a subsidiary bank of a commercial bank, functioning or set up in a rural area for the purpose of providing banking and credit facilities in that area.

Generally during 1970‟s there was a growing realization that the benefits of the co-operative credit system have not reached all the sections of rural demography, and the public sector banks like CBs. Grameen Banks were first established in Ghana in 1976 to provide banking services to the rural population, providing finance to small-scale farmers and businesses and supporting development schemes only. Particularly, before the establishment of the first Grameen Banks in 1976, the availability of formal credit in rural communities predominantly made up of small farmers was extremely good. The prime sources of finance were moneylenders and traders charging exorbitant interest rates also. The Government of India had taken some policy measures to improve access to finance in rural communities. The initiatives included a requirement that CBs lend at least 20 per cent of their portfolio for agricultural uses and the establishment of the ADB in 1965 with an exclusive mandate of lending for agriculture and allied industries in rural Ghana economy.

Grameen Banks are the banking organizations being operated in different states of the country. Grameen Banks have been created to serve the rural areas with banking and financial services. However, Grameen Banks may have branches set up for urban operations and there area of operation may include urban areas also. The important objective of Grameen Banks is to mobilize financial resources from rural / semi-urban areas and grant loans and advances mostly to small and marginal farmers, agricultural laborers and rural artisans also. The area of operation of Grameen Banks is limited to the area as notified by Government of India covering one or more districts in the State. Grameen Banks also perform a variety of different functions. Grameen Banks perform various functions in following heads, providing banking opportunities to rural and semi-urban areas in India. Government operations like disbursement of wages of MGNREGA workers, distribution of pensions etc., Providing ParaBanking facilities like locker facilities, debit and credit cards. Rural communities in India such as small and marginal farmers, landless agricultural laborers, artisans and socially and economically poorer sections, have been exploited in the name of loans by informal sectors in India. The rural banking consists of both formal and informal financial institutions and agencies that meet the credit needs of the rural community in India. The another sector advances loans at very high rates of interest; the terms and conditions attached to such loans have given rise to an elaborate structure of intimidation of both economic and non-economic conditions in the rural masses. The providing of formal credit is inadequate and rural banks are imperfect. Hence, the supply of formal sector credit has been unequal, particularly with respect to region and class, cast and gender in India. The origin and genesis of Grameen Banks in India dates back to the year 1975. So the Narasimham committee that conceptualized the foundation of Grameen Banks in India. This committee felt the need of regionally oriented rural banks" that would address the problems and requirements of the rural coomunity. Grameen Banks were established under the provisions of an Ordinance promulgated on the 26th September 1975 and the RRB Act, 1975 with an objective to ensure sufficient institutional credit for agriculture and rural development also. The Grameen Banks mobilize financial resources from rural/semi-urban areas and grant loans and advances mostly to small and marginal farmers, only. To the objective of classification of bank branches, the RBI defines rural area as a place with a population of less than 10,000 populations. Grameen Banks are jointly owned by Government of India, the concerned State Government and Sponsor Banks; the issued capital of a Grameen Banks is shared by the owners in the proportion of 50, 15 and 35 per

cent respectively. The first five Grameen Banks were set up in five States in Haryana, West Bengal, Rajasthan, with one each and two in Uttar Pradesh, which were sponsored by different CBs in India

The Regional Rural Banks are playing a crucial role in mobilizing resources in the form of deposits and lending them as advances to the needy and weaker sections of the rural areas particularly by the expansion of bank branches. As the state of Andhra Pradesh has been chosen for the study area, an attempt has been made in this chapter to examine the trends and progress of branch expansion, deposit mobilization and credit creation of Regional Rural Banks. The main purpose of Regional Rural Banks is to mobilize financial resources from rural *1* semi-urban areas and grant loans and advances mostly to small and marginal farmers, agricultural laborers and rural artisans. The area of operation of Regional Rural Banks is limited to the area as notified by Government of India covering one or more districts in the State. Regional Rural Banks also perform a variety of different hctions. Regional Rural Banks perform various functions in following (a) Providing banking facilities to rural and semi-urban areas. Carrying out government operations like disbursement of wages of MGNREGA workers, distribution of pensions etc. (b) Providing Para-Banking facilities like locker facilities, debit and credit cards, kisan credit cards etc.

Andhra Pragathi Grameena Bank is a regional rural bank in Andhra Pradesh. The Bank was established in the year 2006 as a Scheduled Commercial Bank, on the basis of the Regional Rural Banks Act of 1976 to provide facilities in Rayalaseema region of Andhra Pradesh. This bank is operational in five different districts in Andhra Pradesh, including Nellore. It mainly caters to the rural and poor people of this region. Placing our Organisation at the highest altitude among the RRBs in the country and making it financially strong, viable, vibrant and an effective proactive instrument of social change, with an eye to work for overall development of the people and the economy of the operational area, through aggressive banking. Andhra Pragathi Grameena Bank came into existence from 01.06.2006 by amalgamating Rayalaseema Grameena Bank, Sri Anantha Grameena Bank and Pinakini Grameena Bank consequent upon the Government of India Notification dt.01.06.2006. The Bank is constituted under Regional Rural Banks Act 1976. The Bank is having its Head Office at KADAPA with a jurisdiction of 5 districts namely Anantapuramu, YSR Kadapa, Kurnool, SPSR Nellore and Prakasam. The Bank is having 8 Regional Offices with its Head quarters at 5 district Head Quarters, Kadiri of

Anantapuramu district, Nandyal of Kurnool district and in Rajampet of Kadapa district. The Bank is providing banking services with its 552 branches. The Bank is catering to the needs of Rural Poor mainly and to all other sectors also. The Bank has been playing a pivotal role in economic development of its operational area by outreaching the people in the countryside. The entire area of operation of the Bank, which is mostly in Rayalaseema region, is characterized by drought and backwardness. About 75% of the population in the area lives in countryside. The soils are mostly black and red, about 75% of the area is rain fed and farmers depend on rain fed crops and Irrigation sources viz., canals, tanks, bore wells etc., the major crops grown are paddy, cotton (hybrid), chilies, vegetables, horticulture crops like banana, papaya, sweet orange, mango etc., and under rain fed conditions the major crops grown are ground nut, jowar, Bengal gram, sun-flower, coriander, tobacco, etc. The area is rich in minerals viz., barites, limestone, granite, galaxy black and colour slabs, slates etc.

- To increase the business on a sustainable manner with consistent efforts and bringing all the house holds in the operational area into banking folds.
- To fine tune the existing products and design new products and services to match the competition prevailing in the market.
- To mould the staff of the bank as computer literate and technologically savvy and to achieve hundred percent computerization of branches.
- To continue to be a true friend, philosopher and guide to customers with dedicated service and accelerate the pace of development of the operational area for accomplishing the Bank's Objectives.