

Performance Analysis of the Pallavan Grama Bank in Tamilnadu and its Role in Issuance of Rural and Agricultural Credit

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Abstract

Banks play a vital role in the economic development of a country. Small traders, village artisans and agricultural labourers, in rural and semi-urban areas, do not get adequate credit facilities from Commercial banks. These types of banks focus mainly on large borrowers engaged in commercial and business activities. The lack of timely, adequate credit facility affects the growth of rural economy. In order to provide adequate and timely credits to small borrowers in rural and semi-urban areas, the Central Government along with State governments and some commercial banks established regional Banks, known as Regional Rural Banks across India. These Regional Rural Banks operate at regional level, thereby enabling the growth of the regional economy. The two Regional Rural Banks operating in Tamilnadu are Pandyan Grama Bank and Pallavan Grama Bank. The present study mainly focuses on the performance of the Pallavan Grama Bank.

Key Words Used: Regional Rural Banks, Pallavan Grama Bank, Financial Performance, Key Performance Indicators, Growth Rate, Rural Areas.

INTRODUCTION

The Pallavan Grama bank established on 31.08.2006 by merging the erstwhile Adhiyaman Grama Bank, Dharmapuri and Vallalar Grama Bank, Cuddalore under the Regional Rural Banks Act, 1976. Its head office is at Salem, Tamilnadu. Since its inception, the Pallavan Grama Bank has worked to ameliorate the socio-economic condition of the rural people in the state.

Pallavan Grama Bank with a network of 289 branches is spread across 15 districts, mainly in the northern part of Tamilnadu. The districts are Dharmapuri, Krishnagiri, Cuddalore, Villupuram, Coimbatore, Erode, Nilgiris, Tiruppur, Salem, Namakkal, Karur, Thiruvallur, Thiruvannamalai, Vellore and Kancheepuram. Regional Offices of the Pallavan Grama Banks are located at Villupuram, Krishnagiri, Coimbatore, Namakkal and Kancheepuram. The Bank is working under 100% Core Banking Solution platform. Out of 289 branches, 147 branches are in rural areas which constitute 51% of the branch network.

The authorized share capital of the Bank is Rs.2,000 crore and issued capital of Rs.655.78 lakhs contributed by the Government of India (50%) – Rs.327.89 lakhs, Government of Tamilnadu (15%) – Rs.98.37 lakhs and Sponsor bank - Indian Bank (35%) – Rs.229.52 lakhs.

REVIEW OF LITERATURE

Subbaiah A. and Selvakumar M. (2005) in their article “Regional Rural Banks and Agricultural Credit”, analysed the various agricultural credits given by RRBs in India. They observed and concluded that the RRBs keenly watching regional development by offering financial needs to the weaker sections of the people.

Selvakumar M. (2006) in his Ph.D thesis “Regional Rural Banks – A performance review”, examined deposit mobilisation and lending performance of RRBs in Tamilnadu. He also attempts to compare income, expenditure, advances, deposits and profits of RRBs operating in States level among themselves and with RRBs at National level.

Jha B.K. (2008) in his article “Role of Banking Service in Rural Entrepreneurship (A case study of Sultanpur District, Uttar Pradesh)”, determined that the effective banking service in rural areas can promote rural entrepreneurship and improve the standard of living of rural people in India.

Megha and Aparna Bhatia (2013) in their article “Performance Evaluation of Regional Rural Banks in India during Pre and Post Amalgamation Period”, examined that the growth, profitability and performance of RRBs differs between pre amalgamation period and post amalgamation period. They opined that the overall position of RRBs in India has improved during the post amalgamation period though the numbers of RRBs have decreased.

Venkata Rao.B and Sudarsana Rao.G (2014) in their article “Performance of Regional Rural Banks in India – A Study on Andhra Pradesh Grameena Vikas Bank in Andhra Pradesh”, examined the various agriculture policies and programmes of RRBs with respect to issuance of rural credit in India, especially in Andhra Pradesh. They conclude that the APGVB is one of the growing banks in Andhra Pradesh, which with its expansion serve the rural, poor agricultural farmers of Andhra Pradesh.

Kannusamy K. and Gowri K. (2016) in their article “Customer’s Satisfaction on the Services of the Pallavan Grama Bank: A Study in Villupuram District”, examined the various services offered by the bank. They observed that the Pallavan Grama Bank, offering good and adequate banking facilities in the rural areas is the need of the hour. The article concludes that the Pallavan Grama Bank employees need to elicit a positive disposition in their dealings with customers, location of PGB in Villupuram district needs to be in the close proximity to the customers’ reach and collection charges on outstation cheques should be reduced.

Satish Kumar, Vibhor Goyal and Poonam Sharma (2017) in their article “Performance Evaluation of Regional Rural Banks (RRBs) in India”, analysed the growth pattern and key performance

indicators of RRBs in India during post merger and pre merger periods. They concluded that the rapid development of RRBs has helped in substantially reducing the regional inequalities in respect of banking facilities in India and efforts made by RRBs in all aspects of rural areas are appreciable.

OBJECTIVES OF THE STUDY

Following are the objectives of the study:

1. To examine the branch expansion of the Pallavan Grama Bank in Tamilnadu.
2. To analyse the key performance indicators of the Pallavan Grama Bank in Tamilnadu.
3. To evaluate the profitability position of the Pallavan Grama Bank in Tamilnadu.
4. To study the role of the Pallavan Grama Bank in issuing rural and agricultural credit.

RESEARCH METHODOLOGY

This study plans to analyse the branch expansion, key performance indicators, profitability position and the role of the Pallavan Grama Bank in issuing rural and agricultural credit. The present study is mainly based on secondary data. The data collected from the head office and the regional offices of the Pallavan Grama Bank, NABARD and RBI used for the purpose of the study. The data taken from the annual reports, RBI Bulletin, Government publications, Books, Journals, Magazines and Websites are also used. The study covers a period of 11 years from 2007 - 2008 to 2017 – 2018. The study analyses the branch expansion, key performance indicators, profitability position and credit role in agricultural sector. It uses statistical tools like ratio, percentage, growth rate, compound growth rate, mean, standard deviation and co-efficient of variation to get reliable results.

RESULTS AND DISCUSSIONS

Branch expansion of the Pallavan Grama Bank

The growth of the Pallavan Grama Bank plays an important role in improving its financial performance. The presence of Existences of more branches is important for rendering various services to the rural customers. Expansion of branch network enables multiple service accessibility to the rural society. Due to the timely effort of the Central Government, State Government and Commercial Banks, the number of the Pallavan Grama Bank has increased massively. The information relating to the branch expansion of the Pallavan Grama Bank is presented in Table – 1.

Table – 1

Branch Expansion of the Pallavan Grama Bank in Tamilnadu

Year	Rural	% to Total	Semi-Urban	% to Total	Urban	% to Total	Metro	% to total	Total
2007 – 2008	40	60.61	21	31.82	5	7.58	0	0.00	66

2008 – 2009	44	53.66	31	37.80	7	8.54	0	0.00	82
2009 – 2010	51	55.43	34	36.96	7	7.61	0	0.00	92
2010 – 2011	61	55.45	42	38.18	7	6.36	0	0.00	110
2011 – 2012	67	51.54	54	41.54	9	6.92	0	0.00	130
2012 – 2013	79	52.67	59	39.33	12	8.00	0	0.00	150
2013 – 2014	95	55.56	63	36.84	13	7.60	0	0.00	171
2014 – 2015	118	58.71	69	34.33	14	6.97	0	0.00	201
2015 – 2016	133	58.33	80	35.09	15	6.58	0	0.00	228
2016 – 2017	132	51.56	108	42.19	16	6.25	0	0.00	256
2017 – 2018	147	50.87	126	43.60	15	5.19	1	0.35	289
Mean	87.91		62.45		10.91		0.09		161.36
SD	39.05		32.38		3.99		0.30		74.37
CV	44.42		51.84		36.54		331.66		46.09

Source: Consolidated Annual Report of the Pallavan Grama Bank from 2007-2008 to 2017-2018.

Table 1 reveals that the growth of the Pallavan Grama Bank in Tamilnadu, in terms of its number, is significant. It is found that the number of rural branches in Tamilnadu was 40 in 2007 – 2008 (i.e.) 60.61 per cent of total branches in Tamilnadu. It increased to 147 in 2017 – 2018 which accounts for 50.87 per cent of total branches. It represents a mean of 87.91 during this period and shows standard deviation and co-efficient variation of 39.05 and 44.42 respectively. As against this, semi-urban branches showed an increasing trend from 21 in 2007 -2008 to 126 in 2017 – 2018. It represents a mean of 62.45 during this period and shows standard deviation and co-efficient variation of 32.38 and 51.84 respectively. It is also found that the number of urban branches in Tamilnadu was 5 in 2007 – 2008 (i.e.) 7.58 per cent of total branches of the Pallavan Grama Bank in Tamilnadu and it increased to 15 in 2017 – 2018. This increases for 5.19 per cent of total branches. Moreover, it represents a mean of 10.91 during this period and shows standard deviation and co-efficient variation of 3.99 and 36.54 respectively. In the year 2017 – 2018, the bank opened one metro branch.

Performance of the Pallavan Grama Bank at a Glance

The key performance indicators such as number of branches, the amount of share capital and borrowing through bonds are measured. Moreover, the reserves, deposits, borrowing, investments, loans and advances, profit and loss position, and accumulated losses of the Pallavan Grama Bank are presented in Table – 2.

Table – 2
Key Performance Indicators of the Pallavan Grama Bank in Tamilnadu
(Rs.in thousands)

Particulars	2016 – 17	2017 –18	Growth (%)
No. of Districts Covered	15	15	0
Number of Branches	256	289	12.89
Share Capital (Rs. in thousands)	65,578	65,578	0
Total Staff (Excluding Sponsor bank staff)	685	971	41.75
Deposits (Rs. in thousands)	33,297,308	42,550,117	27.79
Borrowings (Rs. in thousands)	17,793,628	16,658,572	-6.38
Investments (Rs. in thousands)	6,702,891	7,987,814	19.17
Gross Loans & Advances (Rs. in thousands)	29,325,769	39,562,239	34.90
Loan issued (Rs. in thousands)	34,707,721	43,684,539	25.86
CD Ratio (Gross advances to Deposits)	88.07	92.98	---
Accumulated losses	2,089,276	2,461,250	17.80
Profit (Before Tax)	536,400	718,262	33.90
Tax paid to Govt.	188,378	253,295	0.34
Profit after tax	348,022	464,967	33.60
Gross NPA amount	654,364	830,160	26.87
Gross NPA to Total advances	2.04%	2.00%	---
Net NPA amount	391,101	409,971	4.82
Net NPA %	1.22%	0.99%	---
Per Branch Business	255,269	291,046	14.02
Per Employee Business	94,990	86,358	-9.09

Source: Consolidated Annual Report of the Pallavan Grama Bank from 2007 – 2008 to 2017 – 2018.

The performance indicators of the Pallavan Grama Bank in Tamilnadu during the period between 2016 - 2017 and 2017 - 2018 are presented in the above table. The number of districts covered during the study period remains unchanged. The branch network has increased from 256 in 2016 - 2017 to 289 in 2017 - 2018. The sources of funds of the Pallavan Grama Bank contributed by the Government of India,

Government of Tamilnadu and Indian Bank in the ratio of 50:15:35 respectively. The deposits of the bank are prime constituents of its working fund. The total deposits of the Pallavan Grama Bank increased from 33,297,308 thousand to 42,550,117 thousand during the study period registering the growth rate of 27.79 per cent. The major source of borrowings of the bank is in the nature of Refinance from NABARD and Indian Bank. Borrowings of the Pallavan Grama Bank decreased from 17,793,628 thousand in 2016 – 2017 to 16,658,572 thousand in 2017 – 2018. It shows repayments are being made on due dates and there is no default in repayment. The bank framed an Investment Policy as per guidelines issued by RBI / NABARD from time to time. The investment portfolio stood at Rs.7,987,814 thousand as on 31.03.2018 against the last year's position of Rs.6,702,891 thousand with annual growth rate of 19.17 per cent.

The loans and advances of the bank as on 31.03.2018 increased to Rs.39,562,239 thousand from 29,325,769 thousand of previous year, thereby registering a growth rate of Rs.10,236,470 which accounts for 34.90 per cent of the previous year. The credit deposit ratio stood at 92.98 per cent as on 31.03.2018 as against 88.07 per cent of the previous year. The total loans issued by the Pallavan Grama Bank during the year increased to 43,684,539 thousand from 34,707,721 thousand of the previous year, registering growth rate of 25.86 per cent. The accumulated losses increased from 2,089,276 thousand to 2,461,250 thousand during the study period. The net profit earning capacity of the Pallavan Grama Bank increased from Rs.348,022 thousand in 2016 - 2017 to Rs.464,967 thousand in 2017 - 2018, which indicates annual growth rate of 33.60 per cent during the study period. The Gross NPA of the Pallavan Grama Bank stood at Rs.830,160 thousand as on 31.03.2018 (26.87 per cent). The percentage of Net NPA of the bank has shown decreasing trend from 1.22 per cent to 0.99 per cent during the year. The branch productivity increased to Rs.291,046 thousand in 2017 – 2018 from Rs.255,269 thousand in 2016 – 2017 with a growth of 14.02 per cent. As against this, staff productivity decreased to Rs.86,358 thousand in 2017 – 2018 from Rs.94,990 thousands in 2016 – 2017 with a negative growth of 9.52 per cent.

Profitability Performance of the Pallavan Grama Bank

The profitability performance of the Pallavan Grama Bank is examined with its profit earning capacity. The growth of Net Profit of the Pallavan Grama Bank during the study period is presented in the following Table.

Table 3

Growth of Net Profit of the Pallavan Grama Bank

Year	Net Profit (Rs.in Thousands)	Increase / Decrease	Growth Rate
2007 – 2008	77,816		

2008 – 2009	89,256	11,440	14.70
2009 – 2010	99,442	10,186	11.41
2010 – 2011	120,743	21,301	21.42
2011 – 2012	149,058	28,315	23.45
2012 – 2013	271,832	122,774	82.37
2013 – 2014	312,740	40,908	15.05
2014 – 2015	345,298	32,558	10.41
2015 – 2016	336,830	-8,468	-2.45
2016 – 2017	348,022	11,192	3.32
2017 – 2018	464,967	116,945	33.60
Compound Growth Rate = 21.33			

Source: Consolidated Annual Report of the Pallavan Grama Bank from 2007 – 2008 to 2017 – 2018.

Table 3 shows that the net profit of the Pallavan Grama Bank stood at Rs.77,816 thousand in 2007 – 2008 and increased to Rs.464,967 thousands in 2017 – 2018. The growth rate of net profit of the Pallavan Grama Bank shows a fluctuating trend, ranging between 14.70 per cent in 2007 – 2008 and 33.60 per cent in 2017 – 2018. It registers a compound growth rate of 21.33 per cent during the study period.

Role of the Pallavan Grama Bank in issuance of Rural and Agricultural Credit

Investment credit in Agriculture continues to be the focus area of the Pallavan Grama Bank. The sector wise classification of loans and advances of the Pallavan Grama Bank is given in the following Table 4.

Table 4

Sector wise classification of Loans and Advances of the Pallavan Grama Bank

(Rs.in Thousands)

Year	Agricultural Sector	Percentage to Total	Non-Agricultural Sector	Percentage to Total	Total
2007 – 2008	2,525,259	74.99	842,054	25.01	3,367,313

2008 – 2009	3,428,036	74.42	1,178,554	25.58	4,606,590
2009 – 2010	5,224,965	76.31	1,622,436	23.69	6,847,401
2010 – 2011	8,180,199	83.23	1,648,673	16.77	9,828,872
2011 – 2012	12,080,004	84.12	2,279,704	15.88	14,359,708
2012 – 2013	16,245,133	83.86	3,126,413	16.14	19,371,546
2013 – 2014	21,878,927	88.63	2,806,377	11.37	24,685,304
2014 – 2015	39,042,435	82.11	8,506,408	17.89	47,548,843
2015 – 2016	41,902,114	86.82	6,362,271	13.18	48,26,4385
2016 – 2017	32,532,109	93.73	2,175,612	6.27	34,707,721
2017 – 2018	41,889,627	95.89	1,794,912	4.11	43,684,539

Source: Consolidated Annual Report of the Pallavan Grama Bank from 2007 – 2008 to 2017 – 2018.

Table 4 shows that the total loans and advances of the Pallavan Grama Bank comprise loans and advances for both the agricultural and non-agricultural sectors, which together has increased sharply to Rs.43,684,539 thousand in 2017 – 2018 from Rs.3,367,313 thousand in 2007 – 2008. The loans and advances for the agricultural sector as a percentage of total loans and advances increased from 74.99 per cent in 2007 – 2008 to 95.89 percent in 2017 – 2018. The share of loans and advances to the non-agricultural sector as a percentage of total loans and advances has decreased from 25.01 per cent 2007 – 2008 to 4.11 per cent in 2017 – 2018.

CONCLUSION

In the present study, the researcher makes an attempt to analyse the performance of the Pallavan Grama Bank. The parameters used to determine its performance are branch expansion, key performance indicators, profitability performance and its role in issuance of rural and agricultural credit. The Pallavan Grama Bank provides huge amount of loans and advances to agricultural sector as compared with non-agricultural sector. Pallavan Grama Bank branch network is increasing despite its merger with sponsor banks. Moreover, the key performance indicator of this bank exhibits the good financial conditions in providing credit disbursements to the rural society. From the analysis, it can be concluded that the overall profitability performance of the Pallavan Grama Bank has improved massively during the study period. It can also be concluded that the financial performance of the Pallavan Grama Bank is strong enough to provide multiple services to the rural people without any interruption.

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