

CREDIT OPERATIONS OF CHAITANYA GODAVARI GRAMEENA BANK AFTER MERGER

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Abstract

Regional rural banks (RRBs) were introduced as one more source of rural credit, particularly for economically and socially marginalised sections of the society. Although cooperative and commercial banks have reasonably recovered the geographical area and disbursed credit, it is alleged that the former were dominated by the rural rich while the latter urban bias. Against this backdrop, RRBs came into being. As a sequel to the recommendation of a Committee, RRBs were restructured in the country. During 2006, Chaitanya Grameena Bank was merged with Godavari Grameena Bank. The resultant entity is known as Chaitanya Godavari Grameena Bank (CGGB). An attempt is made in this article to review its credit operations after merger. The focus is on sector – wise disbursements and outstanding advances, targets and accomplishments and credit-deposit ratio (CDR). The study period is spread over 9 years from merger.

Key Words: Credit Operations, Disbursement of Credit, Short Term Agri – Loans (STAL), Medium Agri – Term Loans (MATL), Agri – Term Loans (ATL), Small Industries (SI), Self Help Groups (Shgs).

1. Introduction

CGGB was formed with the merger of Chaitanya and Godavari Grameena Banks with effect from 01.03.2006. The operational area of the CGGB is spread over Guntur, East Godavari and West Godavari districts, Andhra Pradesh (AP). The bank is with 158 branches. Of which, 90 are in Guntur district, 37 East Godavari district and 31 West Godavari district and one extension counter in Guntur district. Out of them, 98 are rural, 45 semi-urban and 15 urban. The authorised capital of the bank is Rs.500 lakhs, divided into 5 lakh fully paid shares of Rs.100/- each. The paid up capital is Rs.200 lakhs, contributed by Govt of India, Andhra Bank and Govt of A.P. in the ratio of 50%, 35% and 15% respectively.

2. Credit Operations

CGGB accelerates integrated rural development by providing adequate and timely credit in its operational area. This depends upon the coverage of activities; reaching occupational target groups; extent of deployment of credit to priority sector; assistance rendered to weaker sections for their upliftment; level of utilisation of locally mobilised deposits in the operational area etc. Keeping in line with the importance attached to rural development, the bank has achieved considerable progress in providing finance to farming community, weaker sections and so on.

3. Disbursement of Credit

The credit disbursed is as follows:

3.1. Year-Wise

It can be observed that the bank has disbursed Rs. 31,291.99 lakhs in 2007 and progressively increased year after year to reach Rs. 1,45,292.75 lakhs at the end of 2015 (see Table 1).

Table 1: Year – Wise Disbursement of Loans in the CGGB during 2007-15 (Rs. Lakhs)

Year (1)	Total advances (2)	% of change (3)	Priority sector (4)	Non- Priority sector (5)	% of col (4) to col (2) (6)
2007	31,291.99	-	27,151.82	4,140.17	86.77
2008	37,836.84	20.92	30,819.02	7,017.82	81.45
2009	40,332.62	6.60	30,452.37	9,880.25	75.50
2010	48,342.22	19.86	36,975.71	11,366.51	76.49
2011	68,001.54	40.67	55,299.28	12,702.26	81.32
2012	99,142.28	45.79	83,813.63	15,328.65	84.54
2013	1,58,611.39	59.98	1,36,147.25	22,464.14	85.84
2014	1,50,863.60	-4.88	1,21,146.43	29,717.17	80.30
2015	1,45,292.75	-3.69	1,16,954.12	28,338.63	80.50

Source: Relevant issues of the CGGB, Annual Reports, Chittoor

The increment was in the range of 6.60 – 59.98 per cent. There is no decline in the amount disbursed in any year except during 2014 and 2015. The advances for priority sector reveal the same trend. During 2007, Rs. 27,151.82 lakhs were disbursed under priority sector as compared to Rs. 1,16,954.12 lakhs in 2015. There is a gradual growth in the amount disbursed every year except during 2014 and 2015. In the case of non - priority sector, there are fluctuations in the yearly disbursement. A little over Rs. 4,140.17 lakhs was disbursed during 2007 as compared to Rs. 28,338.63 lakhs during 2015. The share of priority sector in the total disbursement was 86.77 per cent in 2007 as against 80.50 per cent in 2015. The year to year changes are noticeable. There is a declining trend with to and fro changes during the period. There is a gradual increase in the share of priority sector except 2015. The remaining is accounted for non – priority sector. In other words, the proportion of non - priority sector has declined from 13.23 per cent in 2005 to 19.50 per cent in 2014. This is due to the fact that there is no directed lending to non - priority sector.

3.2. Segregation of Priority Sectoral Advances

Under the priority - sector lending, the bank has disbursed loans for different purposes as presented in the **Table 2**. Among the purposes, short - term agricultural loans accounted for a major share ranging between 79.67 per cent and 81.67 per cent during 2007 - 15. Agriculture has claimed a lion's share in the total advances disbursed. This is due to the fact that a large proportion of population in the operational area was depending on it. Self Help Groups (SHGs) ranked second. Their proportion was in the order of 15.12 – 14.11 per cent. Others ranked third. Their proportion has accounted for 3.52 per cent in 2007 as against 3.92 per cent in 2015. Medium agri - term loans (MATL) ranked fourth. Their share was in the order of 1.50 – 0.21 per cent. The small scale industries (SSIs) formed 0.19 per cent in 2007 as against 0.09 per cent in 2015. The consumption loans were sanctioned for the benefit of economically weaker sections of society. Though there was a greater demand for small loans, its share has submerged. Thus the bank has disbursed loans under priority - sector for varied purposes. Since agriculture is predominant in the operational area, loans for agriculture and allied-agricultural activities formed more than 75 per cent of total disbursement. Of them, short – term agricultural loans

Table 2: Segregation of Priority Sector Loans Disbursed in CGGB during 2007-15 (Rs. lakhs)

Year (1)	STAL (2)	MTAL (3)	SSIs (4)	SHGs (5)	Others (6)	Total (7)
2007	21,632.02 (79.67)	407.62 (1.50)	51.06 (0.19)	4,106.44 (15.12)	954.68 (3.52)	27,151.82 (100)
2008	24,292.43 (78.82)	644.52 (2.09)	96.88 (0.31)	5,120.32 (16.61)	664.87 (2.16)	30,819.02 (100)
2009	20,896.30 (68.62)	588.92 (1.93)	56.70 (0.19)	8,311.00 (27.29)	599.45 (1.97)	30,452.37 (100)
2010	24,789.87 (67.04)	258.67 (0.70)	11.39 (0.03)	11,088.93 (29.99)	826.85 (2.24)	36,975.71 (100)
2011	43,996.56 (79.56)	615.75 (1.11)	14.13 (0.03)	9,850.29 (17.81)	822.55 (1.49)	55,299.28 (100)
2012	61,960.46 (73.93)	2,121.89 (2.53)	42.92 (0.05)	18,648.56 (22.25)	1,039.80 (1.24)	83,813.63 (100)
2013	1,14,451.66 (84.06)	267.24 (0.20)	14.43 (0.01)	19,373.66 (14.23)	2,040.26 (1.50)	1,36,147.25 (100)
2014	92,582.81 (76.42)	211.71 (0.17)	34.50 (0.03)	26,301.18 (21.71)	2,016.23 (1.66)	1,21,146.43 (100)
2015	95,512.26 (81.67)	249.29 (0.21)	110.59 (0.09)	16,500.37 (14.11)	4,581.61 (3.92)	1,16,954.12 (100)

Note: Figures in brackets indicate the percentage to total.

STAL: Short term agri – loans; MATL: Medium Agri – term loans;

SSI: Small Scale Industries; SHG: Self Help Groups;

Source: As in Table 1.

(STAL) constitute more than 70 per cent except in 2009 and 2010. The loans for SSIs and others are insignificant.

4. Outstanding Advances

The outstanding advances are given below:

4.1. Aggregate and Sectoral

A glance at the Table 3 shows that the outstanding advances were Rs. 40,615.27 lakhs in 2007 and progressively increased year after year to reach Rs. 1,99,383.56 lakhs at the end of 2015.

Table 3: Sector - wise Distribution of Outstanding Advances of CGGB during 2007-15 (Rs. lakhs)

Year (1)	Total (2)	% of change (3)	Priority sector (4)	Non - priority sector (5)	% of col (4) to col (2) (6)
2007	40,615.27	-	36,279.01	4,336.26	89.32
2008	48,438.52	19.26	40,667.98	7,770.53	83.96
2009	57,256.42	18.20	44,674.79	12,581.63	78.03
2010	66,764.11	16.61	52,661.18	14,102.93	78.88
2011	84,741.34	26.93	69,721.93	15,019.41	82.28
2012	1,14,872.95	35.56	98,115.60	16,757.35	85.41
2013	1,43,772.94	25.16	1,22,373.66	21,399.28	85.12
2014	1,85,380.57	28.94	1,56,234.23	29,146.34	84.28
2015	1,99,383.56	7.55	1,70,882.25	28,501.31	85.71

Source: As in Table 1.

The percentage of increase was in the order of 7.55 – 35.56 per cent. The advances to priority sector also reveal a progressive trend. During 2007, Rs. 36,279.01 lakhs were disbursed under priority sector as compared to Rs. 170,882.25 lakhs in 2015. In the total outstanding advances, the remaining is accounted for non – priority sector. It was Rs. 4,336.26 lakhs and Rs. 28,501.31 lakhs in the former and the latter respectively. The share of priority sector in the total advances was 89.32 per cent in 2007 as against 85.71 per cent in 2015. The percentage of priority sector has crossed government norm in all the years. The priority sector accounts for a lions share in the total outstanding loans. Further, its share has increased as against a decline in the non - priority sector, which reflects the government policy.

4.2. Segregation of Priority Sectoral Advances

Under priority - sector lending, the bank has disbursed loans for different purposes as presented in the Table 4. Among the purposes, short - term agricultural loans accounted for a major share ranging between 63.74 per cent and 76.44 per cent during 2007 - 15. Agriculture has claimed a lion's share in the total advances. This is due to the fact a large proportion of population in the operational area is depending on it. Others ranked second. Their proportion has accounted for 19.75 per cent in 2007 as against 22.01 per cent in 2015. Crop loans converted term loans ranked third. Their share was in the order of 12.66 – 0.54 per cent. Agri - term loans (ATL) ranked fourth. Their percentage was in the order of 3.41 – 0.87. The small scale industries (SSIs) formed 0.44 per cent in 2007 as against 0.13 per cent in 2015. The consumption loans were sanctioned for the benefit of economically weaker sections of society. Though there was a greater demand for small loans, its share has submerged. Thus the bank has disbursed loans under priority - sector for varied purposes. Since agriculture is predominant in the operational area, loans for agriculture and allied-agricultural activities formed more than 75 per cent. Of them, short – term agricultural loans (STAL) constitute more than 60 per cent. The loans for SSIs and others are not significant.

Table 4: Segregation of Priority Sector Advances of CGGB during 2007-15 (Rs. lakhs)

Year (1)	STAL (2)	ATL (3)	Crop loans converted term loans (4)	SSIs (5)	Others (6)	Total (7)
2007	23,123.48(63.74)	1,236.68(3.41)	4,593.33(12.66)	160.02(0.44)	11,501.76(19.75)	36,279.01(100)
2008	25,121.73(61.77)	1,093.63(2.69)	5,140.25(12.64)	363.81(0.89)	8,948.57(22.00)	40,667.98(100)
2009	27,795.15(62.22)	1,157.40(2.59)	1,079.44(2.42)	393.43(0.88)	14,249.37(31.90)	44,674.79(100)
2010	32,273.94(61.29)	1,128.94(2.14)	329.04(0.62)	83.38(0.16)	18,845.88(35.79)	52,661.18(100)
2011	46,785.17(67.10)	1,150.33(1.65)	871.47(1.25)	100.82(0.14)	20,814.14(29.85)	69,721.93(100)
2012	66,726.21(68.01)	1,224.78(1.25)	2,382.08(2.43)	121.32(0.12)	27,661.23(28.19)	98,115.60(100)
2013	86,817.02(70.94)	1,415.56(1.16)	1,993.41(1.63)	113.84(0.09)	32,033.83(26.18)	122,373.66(100)
2014	125,529.06(80.35)	1,498.13(0.96)	2,101.49(1.35)	129.69(0.08)	26,975.86(17.27)	156,234.23(100)
2015	130,626.59(76.44)	1,494.49(0.87)	930.19(0.54)	223.41(0.13)	37,607.57(22.01)	170,882.25(100)

Note: Figures in brackets indicate the percentage to total.

STAL: Short term agri – loans; ATL: Agri – term loans; SSI: Small Scale Industries;

Source: As in Table 1.

5. Accomplishments

The target for outstanding advances was fixed at Rs. 36,000 lakhs in 2007 vis-à-vis Rs. 2,20,000 lakhs in 2015 (see **Table 5**). The amount actually disbursed was Rs. 40,615.27 lakhs and Rs. 1,99,383.56 lakhs in the former and latter respectively. The percentage of achievement was 112.82 per cent in 2007 as compared to 90.63 per cent in 2015. The year 2007 achieved the

highest accomplishment at 112.82 per cent while 2015, the least 90.63 per cent. The targets were overfulfilled in all the years leaving 2010 and 2015.

Table 5: Targets and Achievements of the CGGB in Outstanding Advances during 2007-15 (Rs. lakhs)

Year (1)	Target (2)	Actual (3)	% of col (3) to col (2) (4)
2007	36,000	40,615.27	112.82
2008	47,500	48,438.52	101.98
2009	57,000	57,256.42	100.45
2010	67,100	66,764.11	99.50
2011	83,500	84,741.34	101.49
2012	1,03,500	1,14,872.95	110.99
2013	1,43,600	1,43,772.94	100.12
2014	1,70,000	1,85,380.57	109.05
2015	2,20,000	1,99,383.56	90.63

Source: As in Table 1

This may be due to the fact that it was fixed at low level or the bank might have put in concerted efforts to reach the target in the credit front.

6. Credit-Deposit Ratio

With a growth in branch network, there has been a steady increase in the deposits and outstanding advances. The outstanding advances were Rs. 40,615.27 lakhs in 2007 vis - à - vis, Rs. 1,99,383.56 lakhs in 2015, recording an increase of 4.91 times. (see Table 6). The credit- deposit ratio (CDR) was 113.87 per cent in 2007 as compared to 91.20 per cent in 2015. In the

Table 6: Credit Deposit Ratio of CGGB during 2007-15 (Rs. lakhs)

Year	Deposits	Outstanding Advances	Credit-Deposit Ratio (%)
2007	35,669.36	40,615.27	113.87
2008	43,119.90	48,438.52	112.33
2009	53,801.93	57,256.42	106.42
2010	64,092.91	66,764.11	104.17
2011	75,915.46	84,741.34	111.63
2012	94,941.16	1,14,872.95	120.99
2013	1,13,894.93	1,43,772.94	126.23
2014	1,53,756.00	1,85,380.57	120.57
2015	2,18,620.95	1,99,383.56	91.20

Source: As in Table 1

mean time, there are ups and downs. There is a progressive increase in it except 2015. The CDR is welcome. This is so because funds raised from external sources were deployed in its operational areas in addition to those mopped up locally.

7. Conclusion

There is a gradual growth in the amount disbursed every year except 2014 and 2015 during the reference period. In the case of non - priority sector, there are fluctuations in the yearly disbursement. The priority sector accounts for a lions share in the total outstanding loans during the period. Further, its share has increased as against a decline in the non - priority sector which reflects the government policy. The targets were overfulfilled in almost all the years. There is a progress in CDR with to and fro changes.

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