

NON-PERFORMING ASSETS AT ANDHRA PRADESH
GRAMEENAVIKAS BANK
(A CASE STUDY OF K AGRAHARAM BRANCH, NARSIPATNAM,
VISAKHAPATNAM DISTRICT)

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ABSTRACT

The necessity of rural finance was felt to provide protection and support to the rural population in India. The farmers and the small entrepreneurs in rural area still rely more on unorganized sector for funds by paying a very high rate of interest. The banks were established in rural areas to cater to the increasing demand for credit for agricultural and non-agricultural purposes. Farmers in rural areas also face the risk of unpredictable production of crops due to high dependency on monsoon. The problem of growing over-dues is the area of major concern for all the rural banks. The present study focuses on analyzing the rural credit provided by Andhra Pradesh Grameenavikas Bank, K Agraharam branch and identifying the factors responsible for the rising Non Performaing Assets (NPAs).

Key Words: NPA, APGrameenaVikas Bank, SHG Loans, KCC Loans

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Introduction

“India is essentially Rural India and Rural India is virtually the cultivator, the village handicraftsman and the agricultural laborer”. More than 60% of the Indian population live in rural India and agriculture is still a major source of livelihood. Andhra Pradesh GrameenaVikas Bank (APGVB) was a result of amalgamation of Sri VisakhaGrameena Bank, NagarjunaGrameena Bank, SangameswaraGrameena Bank, ManjiraGrameena Bank and KakathiyaGrameena Bank on 31st March 2006. The primary motive of APGVB is the uplift and development of Rural Farm Sector and Rural Non-Farm Sector, with emphasis on the deprived, the Rural Poor, Rural ISB and Rural Crafts. The recovery of agricultural advances is not satisfactory among majority of the rural banks. The present study focuses on analysing the total loans disbursed in the villages covered under K.Agraharam branch and understanding the trend of NPAs among the sixteen villages.

Objectives of the Study

The study primarily focuses on analysing the trend of NPAs in Self Help Group(SHG) loans and Kissan Credit Card (KCC) loans disbursed in the sixteen villages covered under APGVB K.Agraharam branch.

Specifically the objectives of the study are :

1. To analyse the percentage of NPAs out of the total SHG loans disbursed in the sixteen villages covered under APGVB K.Agraharam branch.
2. To analyse the percentage of NPAs out of the total KCC loans disbursed in the sixteen villages covered under APGVB K.Agraharam branch.
3. To analyse whether there is any significant difference of trends in NPAs among the sixteen villages covered under APGVB K.Agraharam branch.

Methodology of the Study

Period of Study : The study is limited to three financial years i.e. 2012-13, 2013-14 and 2014-15.

Statistical Tools used : ANOVA test is used to study the differences in NPAs in sixteen villages covered under APGVB K.Agraharam branch.

Hypothesis of the Study :

H₀: There is no significant difference in NPAs of SHG loans among 16 villages under AP GrammenaVikas Bank.

H₁: There is significant difference in NPAs of SHG loans among 16 villages under AP GrammenaVikas Bank.

H₀: There is no significant difference in NPAs of KCC loans among 16 villages under AP GrammenaVikas Bank.

H₁: There is significant difference in NPAs of KCC loans among 16 villages under AP GrammenaVikas Bank.

Analysis of Non-Performing Assets in Self Help Group Loans :

The data related to the total SHG loans provided by APGVB and NPAs in SHG Loans for the financial years 2012-13, 2013-14 and 2014-15 is presented in Table 1.1.

TABLE 1.1

NPAs IN SELF HELP GROUP (SHG) LOANS DISBURSED BY APGVB, K.AGRAHARAM BRANCH

(Rs. in Lakhs)

Name of the village	2012-13		2013-14		2014-15	
	Loans Disbursed	NPAs	Loans Disbursed	NPAs	Loans Disbursed	NPAs
B S peat	40	3.2 (8.00)	45	6.1 (13.6)	45	4 (8.9)
Burugupalem	60	11.1 (18.50)	50	29.5 (59.00)	60	13.2 (22.00)
Buchinapalem	25	3.4 (13.60)	20	0.9 (4.50)	25	1.4 (5.6)
Chamthapuram	20	1.1 (5.50)	25	1.1 (4.40)	30	0.5 (1.67)

Dalampeata	45	3.3 (7.33)	40	2.5 (6.25)	35	3.1 (8.86)
Koduru	50	0.3 (0.60)	145	0.8 (0.55)	155	0.8 (0.52)
K Agraharm	80	7.6 (9.50)	100	9.2 (9.20)	110	2.8 (2.55)
Latchinapalem	110	2 (1.82)	140	0.9 (0.64)	160	1.9 (1.119)
Musidipalem	40	0.6 (1.50)	45	0.8 (1.78)	40	0.1 (0.25)
Paidapala	65	3.5 (5.38)	60	3 (5.00)	70	1.4 (2.00)
Papayyapalem	30	1.8 (6.00)	35	3.9 (11.14)	40	1.4 (3.50)
P PAgharam	75	1.2 (1.60)	76	0.8 (1.05)	75	0.5 (0.67)
Peddipalem	65	0.1 (0.15)	75	1.1 (1.47)	80	0 (0.00)
SitanaAgraharam	40	3.2 (8.00)	45	4.6 (10.22)	55	8.2 (14.91)
Venkatapuram	40	0.3 (0.75)	45	1.1 (2.44)	40	0 (0.00)
Verapurajupeta	20	0.8 (4.00)	20	0.7 (3.50)	25	1.5 (6.00)
TOTAL	805	43.5 (5.40)	966	67 (6.94)	1045	40.8 (3.09)

Note : Figures in parenthesis are percentage of NPAs to the loans disbursed.

It can be observed from Table 1.1 that

- (i) The total loans provided to Self Help Groups has increased by around 30% in three years i.e. from 805 lakhs in the year 2012-13 to 1045 lakhs in the year 2013-14.
- (ii) The NPAs in SHG Loans have decreased from 5.4% in the year 2012-13 to 3.09% in the year 2013-14.
- (iii) In the entire study period, the NPAs in SHG loans were less in Peddipalem village and Venkatapuram village and more in Burugupalem village.
- (iv) Around 25% of total NPAs in SHG loans are from Burugupalem Village in 2012-13 increased to 44% in 2013-14 and decreased to 32% in 2014-15.

Analysis of Non-Performing Assets in Kissan Credit Card Loans :

The data related to the total KCC loans provided by APGVB and NPAs in KCC Loans for the financial years 2012-13, 2013-14 and 2014-15 is presented in Table 1.2.

TABLE 1.2

NPAs INKCC LOANS DISBURSED BYAPGVB, K.AGRAHARAM BRANCH

(Rs. in Lakhs)

Name of the village	2012-13		2013-14		2014-15	
	Loans Disbursed	NPAs	Loans Disbursed	NPAs	Loans Disbursed	NPAs
B S peat	65.8	5.2 (7.90)	72.8	12.4 (17.03)	49.4	8.2 (16.60)
Burugupalem	59.3	8.4 (14.17)	45.1	9.6 (21.29)	15.4	6.8 (44.16)
Buchinapalem	39.1	2.2 (5.63)	45.6	1.1 (2.41)	62.1	1.5 (2.42)
Chamthapuram	26.4	2.3 (8.71)	28.5	1 (3.51)	32.6	1.3 (3.99)
Dalampeata	68.2	6 (8.80)	74.6	4.1 (5.50)	80.4	5.1 (6.34)
Koduru	29.6	0.9	68.4	1	19.4	1.4

		(3.04)		1.46)		(7.22)
K Agraharm	44.2	3.3 (7.47)	86.1	4 (4.65)	48.3	4.2 (8.70)
Latchinapalem	45.8	1.4 (3.06)	58.6	1.3 (2.22)	26.4	1 (3.79)
Musidipalem	28.2	2 (7.09)	30.1	1.1 (3.65)	30	0.4 (1.33)
Paidapala	65.4	2.5 (3.82)	66.4	5.4 (8.13)	28.2	1.9 (6.74)
Papayyapalem	30.6	2 (6.54)	25	3 (12.00)	29.3	1 (3.41)
P PAgharam	41.4	2.3 (5.56)	28.6	0.4 (1.40)	45.4	3.1 (6.83)
Peddipalem	58.5	1.1 (1.88)	62.8	0.7 (1.11)	70.3	2.6 (3.70)
SitanaAgraharam	39.3	5.2 (13.23)	90.4	15 (16.59)	60.2	6 (9.97)
Venkatapuram	41.4	2.1 (5.07)	45.8	1 (2.18)	58.4	1.3 (2.23)
Verapurajupeta	63.2	0.7 (1.11)	65.6	2.1 (3.20)	74.1	0.6 (0.81)
TOTAL	746.4	47.6 (6.38)	894.4	63.2 (7.07)	729.9	46.4 (6.36)

Note : Figures in parenthesis are percentage of NPAs to the loans disbursed.

It can be noted from Table 1.2 that

- (i) The total Kissan Credit Card (KCC) loans provided has slightly decreased from 746.4 lakhs in the year 2012-13 to 729.9 lakhs in the year 2013-14.
- (ii) Through out the study period, the NPAs in KCC loans is between 6% to 7%.

- (iii) In the entire study period, the NPAs in SHG loans were less in Musidipalem village and Venkatapuram village and more in Burugupalem village.
- (iv) 17.64% of total NPAs in KCC loans are from Burugupalem village in the year 2012-13, decreased to 15.18% in the year 2013-14 and further decreased to 14.65% in the year 2014-15.

Analysis Of NPAs in SHG and KCC Loans Disbursed in 16 Villages Under APGVB, K.Agraharam Branch using AnovaTest :

The ANOVA test is carried out to find out whether there is any significant difference in NPAs in SHG and KCC loans disbursed in 16 villages under APGVB, K. Agraharam branch. The ANOVA test is used to study differences within the samples (here NPAs of each village for 3years) and between the samples (here the 16 villages in study).The results of the analysis is presented in Table 1.3 and Table 1.4

TABLE 1.3

ANALYSIS OF NPAs IN SHG LOANS DISBURSED IN 16 VILLAGES

Name of the village	2012-13	2013-14	2014-15	sum of sq between	sum of sq within	mean
B S peat	3.20	6.10	4.00	14.25	3.19	8.75
Burugupalem	11.10	29.50	13.20	2230.30	181.54	33.84
Buchinapalem	3.40	0.90	1.40	16.53	21.30	4.22
Chamthapuram	1.10	1.10	0.50	68.47	0.88	1.79
Dalampeata	3.30	2.50	3.10	0.22	9.91	6.30
Koduru	0.30	0.80	0.80	84.08	0.83	1.28
K Agraharm	7.60	9.20	2.80	111.73	57.54	12.67
Latchinapalem	2.00	0.90	1.90	27.80	7.17	3.53
Musidipalem	0.60	0.80	0.10	92.99	0.48	1.00
Paidapala	3.50	3.00	1.40	4.74	11.69	5.31
Papayyapalem	1.80	3.90	1.40	21.24	5.92	3.91
P PAgharam	1.20	0.80	0.50	70.59	1.59	1.72

Peddipalem	0.10	1.10	0.00	106.23	1.58	0.62
SitanaAgraharam	3.20	4.60	8.20	70.94	112.53	11.43
Venkatapuram	0.30	1.10	0.00	100.83	1.36	0.77
Verapurajupeta	0.80	0.70	1.50	57.83	3.64	2.18
TOTAL	43.50	67.00	40.80	3078.75	421.14	

RESULTS OF ANOVA FOR NPAs IN SHG LOANS					
	SUM OF SQ	df	MEAN SQ	F RATIO	Table value 10% level of significance
BETWEEN GROUPS	3078.75	15	205.25	15.59	1.71
WITHIN THE GROUPS	421.14	32	13.16		

TABLE 1.4

ANALYSIS OF NPAs IN KCC LOANS DISBURSED IN 16 VILLAGES

Name of the village	2012-13	2013-14	2014-15	sum of sq between	sum of sq within	mean
B S peat	5.20	12.40	8.20	281.84	35.94	16.26
Burugupalem	8.40	9.60	6.80	256.84	5.09	15.82
Buchinapalem	2.20	1.10	1.50	34.15	4.15	3.20
Chamthapuram	2.30	1.00	1.30	36.76	5.39	3.07
Dalampeata	6.00	4.10	5.10	35.76	20.13	10.02
Koduru	0.90	1.00	1.40	58.36	1.13	2.16
K Agraharm	3.30	4.00	4.20	2.23	4.11	7.43

Latchinapalem	1.40	1.30	1.00	52.69	0.48	2.38
Musidipalem	2.00	1.10	0.40	55.57	5.99	2.27
Paidapala	2.50	5.40	1.90	1.12	10.66	5.96
Papayyapalem	2.00	3.00	1.00	24.78	3.73	3.70
P PAgaram	2.30	0.40	3.10	19.11	19.22	4.05
Peddipalem	1.10	0.70	2.60	38.18	10.85	3.00
SitanaAgraharam	5.20	15.00	6.00	259.99	95.87	15.88
Venkatapuram	2.10	1.00	1.30	39.76	4.03	2.93
Verapurajupeta	0.70	2.10	0.60	61.94	2.53	2.03
TOTAL	47.6	63.2	46.4	1259.09	229.28	

RESULTS OF ANOVA FOR NPA IN KCC LOANS

	SUM OF SQ	df	MEAN SQ	F RATIO	Table value 10% level of significance
BETWEEN GROUPS	1259.09	15	83.93	11.71	1.71
WITHIN THE GROUPS	229.28	32	7.16		

Interpretation :

F value in the table (F distribution table) for the calculated Dfs for 10% level of significance is **1.71** (Df between the groups is column number and Df within the Groups is the row number). Here F ratio is **15.59** and **11.71** for NPA SHG and NPA KCC loans respectively, which are lesser than 1.71. Therefore, we reject the null hypothesis. Hence it shows that there is no significant difference in NPAs in SHG loans and KCC loans among the sixteen villages.

Suggestions:

The following are suggestions offered to improve the effective management of mounting NPAs in APGVB, K.Agraharam Branch.

1. The bank may consider that the NPAs should be avoided in initial stages of credit consideration by putting in place appropriate credit appraisal system.
2. The bank may send circulation of informant and defaulters, which will serve as a caution list which considers request for new additional credit limits from defaulting borrowers and also file criminal cases in regard to willful defaulters.
3. The farmers should be encouraged to take agricultural insurance by the bank to avoid defaults in loan repayment due to crop failures.
4. The bank may take steps to constitute more legal cells and tribunals, recovery branches, LokAdalts etc., for speedy recovery of NPAs.

Conclusion:

The Non-Performing Assets (NPAs) in the high risk sectors like agriculture are very high. The bank NPAs rose four-fold, from Rs 7,149 crore in FY09 to Rs 30,200 crore in FY13, which is a rise from 1.05% of outstanding farm loans to 4.77%. The banks should take proactive steps to minimize NPAs in rural credit. APGVB which is primarily into rural credit should take necessary initiatives to protect itself from the alarmingly rising NPAs in rural credit. The banks should strengthen bad loan management mechanisms by improving credit appraisal capabilities.

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