

# Performance Appraisal of Andhra Bank and its role in Financial Inclusion

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## Abstract

Access to finance, especially by the poor and vulnerable groups, is an essential requisite for employment, economic growth, poverty alleviation and social up-liftment. Here lies the importance of financial inclusion. Financial inclusion or inclusive financing is the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of the society. The Government of India has taken a number of initiatives so that the banks can serve the poor in a hassle-free manner. With a view to spreading the services to poor and vulnerable groups Andhra Bank plays a vital role in financial inclusion. Keeping this view, the authors have made an attempt to discuss the role of Andhra Bank towards Financial Inclusion as the main objective of this paper. It also analyses the performance of the Andhra Bank in terms of its deposits, advances, income, expenditure and profitability etc.

**Keywords:** *Andhra Bank, Performance, Financial inclusion, Role.*

## 1. Introduction

The banking industry has shown tremendous growth during last few decades. Despite making significant improvements in all areas relating to financial viability, profitability and competitiveness, there are concerns that banks have not been able to include vast segment of the population, especially the under privileged sections of the society into the fold of basic banking services. In this respect, there could be multiple levels of financial inclusion and exclusion. At one extreme, there are customers who are actively and persistently courted by the financial services providers and who have at their disposal a wide range of financial services and products. At the other extreme, there are people who are denied access to even the most basic financial products. Keeping in view the above, the concept of 'Financial Inclusion' has come into force to enable to cover the financially excluded category of customers. Keeping this view, the authors have made an attempt to discuss the role

of Andhra Bank towards Financial Inclusion as the main objective of this paper. Also analyses the performance of the Andhra Bank in terms of its deposits, advances, income, expenditure and profitability etc.

## 2. Objectives of the Study

The study has been made:

- To review the performance of Andhra Bank;
- To discuss about the conceptual aspect of Financial Inclusion;
- To discuss the role of Andhra Bank towards Financial Inclusion.

## 3. Research Methodology

The data collected for the study includes secondary data. The various sources used to collect secondary data include annual reports of Andhra Bank, research papers, journals, Status of Microfinance in India reports published by NABARD and various other websites.

## 4. Profile of Andhra Bank

Andhra Bank was founded by Dr. Bhogaraju Pattabhi Sitaramayya in 1923 in Machilipatnam, Andhra Pradesh. He was an eminent freedom fighter and a multifaceted genius. The Bank was registered on November 20, 1923 and commenced business on 28 November 1923 with a paid up capital of Rs. 1.00 lakh and an authorized capital of Rs 10.00 lakhs. In 1956, linguistic division of States was promulgated and Hyderabad was made the capital of Andhra Pradesh. The registered office of the Bank was subsequently shifted to Andhra Bank Buildings, Sultan Bazar, Hyderabad, Andhra Pradesh. In the second phase of nationalization of commercial banks commenced in April 1980, the bank became a wholly owned Government Bank.

## 5. Vision of the Bank

To become a significant player, providing full range of banking services through innovative customer centric products and to maximize stake holders' value

## 6. Mission of the Bank

To work together towards delivering excellent customer service by leveraging on technology and human resources to attain world class performance standards.

## 7. Performance of the Bank

The Bank has transformed from a small local bank to one of the leading Public Sector Banks of the country during its 89 eventful years and has been playing a pivotal role in the Nation building activity. Andhra Bank's Business increased to Rs.1,90,535 Crore as on 31.3.2012 from Rs.1,64,310 Crore as on 31.03.2011, recording an annual growth rate of 16 percent. The memorable phases of the journey are as under:

**Table-1: Memorable Phases of the Journey of Andhra Bank**

Key Parameters	Silver Jubilee (1948)	Golden Jubilee (1973)	Year of National (1980)	Diamond Jubilee (1983)	Platinum Jubilee (1998)	As on 31/03/2011	As on 31/03/2012
No. of Branches	40	307	755	852	1107	1657	1712
Deposits (Rs. In Crores)	4.48	113.82	666.08	1089.72	7920.73	92156	105851.22
Advances (Rs. In Crores)	2.36	81.51	356.12	669.02	3296.27	72154	84684
CD Ratio (%)	52.68	71.61	53.46	61.39	41.62	78.30	80.07

Source: Compiled from the Various Records of the Andhra Bank

It can be observed from the table-1 that the number of branches increased from 1657 as on 31.03.2011 to 1712 as on 31.03.2012. Bank's total deposits amounted to Rs.1,05,851.22 Crore as on 31.03.2012, showing an absolute accretion of Rs.13,695.22 Crore and a growth rate of 14.86 percent over previous year. Advances given by the bank were increased by 17.4 percent from Rs.72,154 Crore as on 31.3.2011 to Rs.84,684 Crore as on

31.3.2012. The above analysis reveals that there is a progress in all the aspects in the journey of the bank.

## 8. Profitability of the Bank

The Bank continued to grow well showing a good performance during the Financial Year 2011-12. Highlights of the bank regarding the revenue, expenditure and profitability are shown in table-2

**Table-2: Highlights of Revenue, Expenditure and Profitability**

(Rs. In Crores)

Particulars	2010-11	2011-12	Absolute Growth	Percentage Growth
Total Interest Income	8291.28	11338.73	3047.45	36.8%
Total Interest Expenditure	5070.31	7579.41	2509.10	49.5%
Net Interest Income	3220.97	3759.32	538.35	16.7%
Other Income	896.96	859.93	-37.03	-4.1%
Profit on sale of Investment	140.78	120.91	-19.87	-14.1%
Core Other Income	756.18	739.02	-17.16	-2.3%
Operating Expenses	1704.86	1804.25	99.39	5.8%
Operating Profit	2413.06	2815.00	401.94	16.7%
Provisions and Contingencies	1145.99	1470.33	324.34	28.3%
Net Profit	1267.07	1344.67	77.60	6.1%

Source: Annual Report of Andhra Bank 2010-11

Table-2 reveals that the total Interest Income has shown a robust growth of 36.8 percent from Rs. 8,291.28 Crores as on 31.3.2011 to Rs. 11,338.73 Crores as on 31.3.2012. The total interest expenditure increased by Rs.2509.10 Crores recording 49.5 percent growth. Operating Profit of the Bank increased to Rs. 2,815 Crores from Rs. 2,413 Crores, registering an increase of 16.7 percent. Net Interest Income for the Financial Year 2011-12 improved to Rs.3,759.32 Crores as compared to Rs. 3,220.97 Crores for the Financial Year 2010-11, showing an increase of 16.7 percent. Net Profit increased by 6.1 percent to Rs. 1,344.67 Crores in 2011-12 from Rs. 1,267 Crores in the previous year. It can be observed from the above analysis the total interest expenditure growth is higher than the total interest income as compared to the previous year. Other income, profit on sale of investment and the other core incomes decreased during the year 2011-12 than that the previous year 2010-11. Hence, the net profit increased by 6.1 percent only.

**Table-3: Priority Sector Lending by Andhra Bank (Rs. In Crores)**

Sl. No.	Category	As on 31.03.2011	As on 31.03.2012
1	Priority Sector Advances	23082.42	27026.96
2	Agriculture Loans	10369.15	12458.53
3	Micro and Small Enterprises	7389.95	8848.53
4	Educational Loans	1621.66	1515.86
5	Housing Loans (including indirect finance)	3701.66	4204.04

Source: Annual Report of Andhra Bank 2010-11

Priority Sector Lending by Andhra Bank as on 31.03.2011 and 31.03.2012 are presented in table-3. The table reveals that the Priority Sector Advances of the Bank stood at Rs.27,026.96 Crores as on 31.03.2012, registering a growth of 17.1 percent over the previous year. The Total Agricultural Advances of the Bank stood at Rs.12,458.53 Crores, registering a growth of 20.2 percent over the previous year. The absolute increase over the previous year is Rs. 2,089.38 Crores. Bank covered a total number of 2,30,668 Self Help Groups with outstanding financial assistance of Rs.2,911 Crore. The Total Advances to Micro & Small Enterprises of the Bank were at Rs. 8,848.53 Crore registering a growth of 24.4 percent over the previous year. During the year 2011-12 the educational loans given by the bank were decreased

as compared to the previous year, while the housing loans were increased. It can be concluded from the above analysis, as compared with the previous year there is a growth in advances given to the priority sector during the year 2011-12.

## 9. Financial Inclusion

In common manner of speaking, financial inclusion is the delivery of financial/banking facilities to all people in a fair, transparent and equitable manner at an affordable cost. According to Leeladhar (2006), financial inclusion means "The delivery of banking services at an affordable cost to the vast sections of the disadvantaged and low income groups". Usha Thorat (2006) has defined the term as "Provision of affordable financial services viz., access to payments and remittance facilities, savings, loans and insurance services by the formal financial system to those who tend to be excluded". A committee on Financial Inclusion was formed under the chairmanship of C. Rangarajan and that committee defined the term as "The process of access to financial services, and timely and adequate credit needed by vulnerable groups such as weaker sections and low income groups at an affordable cost". In brief, financial inclusion means taking banking services to the rank and file. It is a mantra that envisages bringing everyone irrespective of financial status into the banking fold.

## 10. Initial Steps for Financial Inclusion

Reserve bank of India and government plays an important role in promoting financial inclusion for economic growth to increase the banking penetration in the country. Before 1990s several initiatives has been undertaken which included creation of State Bank of India in 1955; nationalization of commercial banks in 1969 and 1980; initiating the Lead Bank Scheme in 1970 was a big step to expand financial inclusion. Priority sector lending norms, branch licensing norms with focus on rural and semi urban branches, National Bank for Agriculture and Rural Development (NABARD) was set up in 1982 mainly to provide refinance to the banks extending credit to agriculture, establishment of regional rural banks in 1975 are also the major steps for same aim which encourage branch expansion in rural area. It also regulate interest rate ceiling for credit in weaker sections. After 1990s there are major important steps taken for financial excluded people as launching Self Help Groups Bank Linkage Programme (SBLP) in 1992 by NABARD, which facilitates and provides door step banking. Simplifications of Know Your Customer (KYC) norms are another milestone. Where NGOs are set up to organize the poor, build

their capacities and facilitates the process of empowering them. In 1998 Kisan Credit Card has been launched and on the suggestion of NABARD in 2005 General Credit Card has been launched. In January 2006, the Reserve Bank of India permitted banks to utilize the services of NGOs, SHGs, Micro Finance Institutions (MFIs) and other civil society organization as intermediaries in providing financial and banking services through the use of business facilitator and business correspondent (BC) models.

## 11. Role of Andhra Bank towards Financial Inclusion

### 11.1 Lead Bank Scheme

The Bank is Convener Bank for State Level Bankers' Committee, Andhra Pradesh since 1983 and is also having Lead Bank responsibility in Six Districts, viz., Srikakulam, East Godavari, West Godavari and Guntur in Andhra Pradesh and Ganjam and Gajapathi Districts of Orissa State. Andhra Bank is discharging all its responsibilities in implementation of Lead Bank Scheme. Andhra Pradesh State is leading the Country with outstanding Agricultural Credit of above Rs.1.00 lakh crore and SHG Bank Linkage Finance of Rs.15,548 crore extended to 13 lakh SHGs.

### 11.2 Andhra Pradesh Bankers Institute of Rural and Entrepreneurship Development (APBIRED)

It is a non-profit society formed by Government of Andhra Pradesh, NABARD and six Public Sector Banks including Andhra Bank. The Institute imparts capacity building, entrepreneurship development, project opportunity guidance, etc., to rural men and women (in the age group of 18 years to 35 years), Rural Entrepreneurs, rural SHG women and also promotes transfer of appropriate technology to farmers and agriculturalists in Agriculture and Allied Activities.

### 11.3 Subsidiaries & Regional Rural Banks (RRBs)

The Bank has one Subsidiary, namely, Andhra Bank Financial Services Limited (ABFSL), which is wholly-owned by the Bank. During the year 2011-12, ABFSL did not conduct any fresh business.

**Table -4: Progress of Financial Inclusion Plan (FIP) implementation to provide banking service outlets in villages having population above 2000**

Particulars	As on 31.03.2011		As on 31.03.2012	
	Target	Achievement	Target	Progress as on the date
Coverage of villages	500	540	1149	1149

In order to provide banking services to rural people Andhra Bank has two sponsored RRBs, namely, Chaitanya Godavari Grameena Bank (CGCB) located in Guntur of Andhra Pradesh State, covering the Districts of Guntur, East Godavari and West Godavari and Rishikulya Gramya Bank (RGB) in Ganjam District and Gajapathi Districts in the State of Orissa. The combined Business of the two RRBs as on 31.03.2012 stood at Rs.3,624 Crores.

### 11.4 Andhra Bank Rural Development Trust

Under the aegis of Andhra Bank Rural Development Trust, Bank has set up 11 Rural Self Employment Training Institutes (RSETIs) at various centres in Andhra Pradesh, Odisha, and Kerala States and is imparting need based training for capacity building/entrepreneurial development and dissemination of knowledge to farmers, SHG women, rural unemployed youth and artisans. Since its inception, 1,07,388 candidates have been trained by the Institutes and around 65.83 percent of the trained candidates are engaged in gainful ventures. During the year 2011-12, the Institutes imparted training to 8,391 candidates through 337 programmes.

### 11.5 Financial Inclusion Plan

Andhra Bank has covered all the allotted villages having population above 2000 with Business Correspondent operated banking outlets by March 2012. At the end of Financial Year 2011-12, 1149 villages have been covered by Bank and 6.42 lakh AB Grama Kranthi Savings Accounts, with built-in overdraft facility of Rs 500 were opened. The process of opening 'Ultra Small Branches' in all FI villages has been initiated, as per the directions of Ministry of Finance, Government of India. Under the 'Ultra Small Branch' concept, officer from the branch shall visit the FI village once in a week on a specified day along with a laptop having Virtual Private Network (VPN) connectivity to CBS to render the activities communicated by the Ministry. Ground level publicity initiatives have been taken up in the form of release of pamphlets, visit of villages, audio-video documentary, mobile vans mounted with publicity material, etc., to promote financial literacy in the FI villages on the lines of 'Swabhimaan'.

<b>No. of accounts opened</b>	1.50 Lakhs	1.52 Lakhs	6.00 Lakhs	6.42 Lakhs
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Source: Website of Andhra Bank

### 11.6 Electronic Benefit Transfer (EBT) of Government Schemes

The Bank is continuing the EBT of Government Schemes such as Social Security Pensions (SSP) and Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) wages in the allotted Districts – Guntur and Srikakulam under ‘One District-One Bank’ mode and through ‘Service Area’ mode in East Godavari and Warangal Districts. 16.12 lakh beneficiaries in 2665 Gram Panchayats have been covered in the above 4 Districts and Rs.446 Crore as benefit amount has been disbursed till date.

### 11.7 Smart Card Project for Self-Help Groups (SHGs)

To facilitate providing Banking Services at the door step of SHGs, Bank launched a pilot project of Smart Card Scheme for SHGs through Business Correspondents in 4 villages, viz., Rayavaram, Kadiam, Anaparthi and Bibinagar. A total number of 2400 SHGs are availing the facility of branchless banking model. By this method, the SHG women are saving their time and money since the normal banking transactions in their SHG accounts are done at their doorstep.

### 11.8 Cash Credit Facility to Self Help Groups

To mitigate hardship faced by Self Help Groups with regard to documentation, bank has introduced financing of SHGs through Cash Credit mode. All existing SHGs are also given the opportunity to convert their Term Loans into Cash Credit Facility.

### 11.9 Coverage of 100% Farmers

The Bank has taken up a special campaign to cover 100% Farmers through bank finance in bank’s service area villages. Around 62790 new farmers were covered with bank finance during the financial year ended 31.03.2012.

### 11.10 SB-Overdraft Facility to Landless Rural Poor

A new product of SB-Overdraft Facility (up to Rs.10,000) is introduced and special campaign has been started to cover all the landless rural poor in 5148 service area villages of the bank.

### 11.11 Rescheduling of Short Term Production Credit

Bank has extended relief measures to farmers in 684 Mandals of Andhra Pradesh, which were affected by heavy rain/jal cyclone in December, 2010. Bank also provided fresh finance, as per their eligibility/bank guidelines, for taking up farming activities during Khariff, 2011. Further, bank also issued instructions to extend relief measures to farmers in 878 Mandals declared as drought hit recently (Nov-Dec, 2011) by the State Government of Andhra Pradesh.

### 11.12 Financial Literacy and Credit Counseling Centres (FLCCs)

Bank has established Six Financial Literacy and Credit Counseling Centres in Six Lead Districts of the Bank, out of it four in Andhra Pradesh viz., Eluru, Guntur, Kakinada and Srikakulam and the remaining two in the State of Odisha viz., Ganjam and Gajapathi. The centres are promoting financial literacy and providing credit related extension services. A documentary film on financial inclusion is being prepared to create awareness among rural people about the banking and financial systems through the formation of a dedicated Trust for taking forward the concept of Financial Literacy and Credit Counseling in a more meaningful and effective manner, in line with RBI guidelines.

## 12. Summary and Conclusion

It can be derived from the above analysis keeping the various factors such as performance of Andhra Bank and its role in financial inclusion etc., it concluded as follows:

Andhra Bank increased its business to Rs.1,90,535 Crores as on 31.3.2012 from Rs.1,64,310 Crores as on 31.03.2011, recording an annual growth rate of 16 percent. The number of branches increased from 1657 as on 31.03.2011 to 1712 as on 31.03.2012. Bank’s total deposits amounted to Rs.1,05,851.22 Crores as on 31.03.2012, showing an absolute accretion of Rs.13,695.22 Crores and a growth rate of 14.86 percent over previous year. Advances given by the bank were increased by 17.4 percent from Rs.72,154 Crores as on 31.3.2011 to Rs.84,684 Crores as on 31.3.2012.

Net Profit increased by 6.1 percent to Rs. 1,345 Crores in 2011-12 from Rs. 1,267 Crores in the previous year. Priority Sector Advances of the bank stood at Rs.27,027 Crores as on 31.03.2012, registering a growth of 17.1 percent over the previous year. The bank has covered all the allotted villages having population above 2000 with Business Correspondent operated banking outlets by Masssrch 2012. At the end of Financial Year 2011-12, 1149 villages have been covered by Bank and 6.42 lakh AB Grama Kranthi Savings Accounts, with built-in overdraft facility of Rs 500 were opened.

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