

CHAPTER - V

PERFORMANCE EVALUATION OF THE OPERATIONS OF THE MULTI-AGENCY SYSTEM UNDER THE ANNUAL ACTION PLANS IN GUJARAT STATE.

The process of planning for rural development with district as the unit, was envisaged under the lead bank scheme introduced in 1969, as noted earlier. The essential features of this scheme were (i) Preparation of credit plans by the designated lead bank for the development of the districts assigned to it, (ii) Lead banks were to ensure alignment of credit plans with credit based development schemes of government given in the development plan of district and lastly, (iii) Implementation of DCRs/AAPs by all the banks and credit institutions during the year. Under the LBS the performance of lead banks is judged not from its own progress, but the work done by all the banks and development agencies in pursuing the process of overall development of banking and credit extension in the district. Hence, under the LBS a policy framework was introduced and from August 1976 onwards the rural banking system was to be closely aligned with the development plans of government, at the district level. This process of alignment is both complex and difficult to put in practice. Though a period of 14 years is over, very few scientific studies are there on the progress achieved. This chapter attempts to fill this void.

Objectives

The primary objective of this chapter is to undertake performance evaluation of AAPs in all the districts of Gujarat state for examining the alignment of the banking system with the system of development planning.

The specific objectives are :

- 1 To evaluate the aggregate performance of all participating banks under the AAPs in each of the 19 districts of Gujarat State.
- 2 To evaluate the participating banks sectorwise performance under AAPs in the districts and
- 3 To evaluate the overall and sectorwise performance of each participating bank at the district level, under the AAP.

Data Source and Methodology

Four years primary data from 1983 to 1986 was obtained from DCPs/AAPs collected from lead bank offices.

For each participating bank, the districtwise data for credit allocations and disbursements under each sector and total AAP was collected for the four years of the study period. A bank's ratio of credit disbursement to allocation in percentage is taken as the performance indicator. The achievements within ± 25 per cent range around

the target is considered within the realistic range of performance*. Participating bank's having less than one per cent share in total AAP credit disbursements at the district level are dropped out from further analysis. And secondly, for sectoral analysis of credit, only those participating banks having performance under total AAP in the realistic range, are considered.

This chapter examines the hypothesis, that the rural banking system is increasingly becoming aligned with the development planning, at the district level.

District-wise performance of Participating Banks

The aggregate performance of the participating banks in each of the 19 districts of Gujarat state is evaluated in terms of the yearly credit ratios of achievements to targets under total AAPs, for the period 1983 to 1986. The relevant data is presented in table no. 5.1 and is derived from appendix no. VI.

* Taking the ± 10 per cent variations on either side of the target as a realistic range of achievements, hardly any district of Gujarat was found to have a realistic performance.

Table Number : 5.1

Classification of Districts According to Performance of
Participating Banks Under AAPs.

Percent Group of Achieve- ments.	(Codes of districts) (1983 to 1986)							
	1983		1984		1985		1986	
	Dist. Code	Total	Dist Code	Total	Dist. Code	Total	Dist. Code	Total
75 and below (poor perfor- mance)	1,11,13	3	1,10	2	-	-	-	-
76 to 125 (realistic range)	5,7,10, 14,15, 19	6	3,4,6, 7,11, 13,14, 16,18.	9	1,3,4, 6,7,8, 10,11, 13,14, 15,16, 18,19.	14	1,3,5, 6,7,9, 10,11, 12,13, 24,15, 16,19.	14
126 and above.	2,3,4, 6,8,9, 12,16, 17,18.	10	2,5,8, 9,12, 15,17, 19.	8	2,5,9, 12,17	5	2,4,8, 17,18.	5

Source : Based on Appendix no. V.1.

The above table no. 5.1 reveals that the number of districts having credit performance in the realistic range increased from 6 under AAP 1983 to 14 under AAP 1986, indicating that the banking operations are achieving better alignment with planned rural development. The 14 districts having satisfactory credit ratios in 1986 were Amreli, Jamnagar, Rajkot, Surendranagar, Kutch, Valsad, Dangs, Bharuch, Surat, Kheda, Panchmahals, Banaskantha, Sabarkantha and Mehsana. However, only two districts viz. Kutch(7) and Panchmahals(14) had credit achievement

ratios in the realistic range in all the four years of the study period.

Secondly, in the last two years the overall performance is much better, with none of the districts having poor performance ratio (below 75 per cent).

The above analysis refers to the performance of all the participating banks taken as a whole, under an AAP in a district. However, each participating bank's performance in a district has its own significance as each bank will have its own performance ratio. Under the present policy frame work, it is more important to evaluate the performance at the district level, of each participating bank under an AAP. To achieve this objective, each participating bank's performance under AAP 1986 in all the 19 districts of Gujarat state is examined.

This analysis aims at achieving the following specific goals :

- 1 To find out the number of banks participating in a AAP, in a district.
- 2 To find out the number of participating banks in each district having one or more per cent share in the total credit disbursements, and their aggregate share in the credit disbursement in each of the district,

under AAP.

- 3 To find out in each district the number of participating banks having a realistic range of credit achievement ratios and their aggregate share in the credit disbursed under AAP.

The relevant AAP data for the year 1986 is presented in appendix no. V.2 and is summarised in table no. 5.2.

Table Number : 5.2

District-wise Performance of Participating Banks Under AAP 1986

Sr. No.	Districts	Participating Banks		Aggregate Share of banks in Col.4 in total credit disbursement.	No. of banks from Column No.4 having credit achievements in the realistic range.	Aggregate share of banks in Col.6 in total credit disbursement
		Tot- al.	having one or more per cent share in credit disbursement.			
1	2	3	4	5	6	7
1	Amreli	14	6	96.95	4	92.68
2	Bhavnagar	19	7	97.51	2	54.07
3	Jamnagar	18	9	96.88	4	19.74
4	Junagadh	21	9	95.50	2	16.16
5	Rajkot	24	11	96.46	5	80.32
6	Surendra-nagar.	13	10	98.74	5	69.42
7	Kutch	16	11	96.18	4	28.47
8	Vadodara	25	10	94.95	5	41.96
9	Valsad	21	14	96.31	6	58.59
10	Dangs	4	4	100.00	1	36.06
11	Bharuch	19	10	96.04	5	39.54
12	Surat	27	13	93.36	5	61.05
13	Kheda	20	13	97.38	5	60.24
14	Panchmahals	12	9	98.57	3	13.19
15	Banaskantha	11	10	99.58	3	57.46
16	Sabarkantha	11	8	98.72	6	87.95
17	Ahmedabad	13	9	97.57	3	55.39
18	Gandhinagar	17	9	97.40	5	31.52
19	Mehsana	17	10	96.79	5	50.38

Source : Based on appendix no. V.2

From the above table no. 5.2 we have the following observations :

- 1 The total number of participating banks in the state was 28(refer appendix no. V.3). In all the districts except Dangs, ten or more banks participated under the AAP. The districts having higher number of banks were Surat(27), Vadodara(25), and Rajkot(24).
- 2 Out of the 19 districts in the state, 13 districts had half or more participating banks, with one or more percent share in total credit disbursement under AAP. They were Jamnagar, Surendranagar, Kutch, Valsad, Dangs, Bharuch, Kheda, Panchmahals, Banaskantha, Sabarkantha, Ahmedabad, Gandhinagar and Mehsana.
- 3 In all the districts the aggregate share of participating banks with one or more per cent share in total AAP disbursements, accounted for more than 93 per cent.
- 4 The number of participating banks having realistic range of credit achievements, in a district ranged from 6 in Valsad and Sabarkantha to one in Dangs (2 in Bhavnagar and Junagadh). The aggregate share of these banks in total credit disbursements ranged from 16 per cent in Junagadh to 93 per cent in Amreli. In eleven districts their share was above 50 per cent. They were

Amreli, Bhavnagar, Rajkot, Surendranagar, Valsad, Surat, Kheda, Banaskantha, Sabarkantha, Ahmedabad, and Mehsana and lastly,

- 5 Only in one district namely Sabarkantha, more than 50 per cent of the participating banks reported realistic performance. This better performance could be attributed to the NABARD Pilot Project for strengthening the rural credit delivery system in the district.

The policy implication from the above analysis suggests that in future, the banks having realistic range of credit achievements only be given major shares in credit allocations under the next round of AAP. This will surely lead to better alignment of credit with rural development policy.

Sector-wise performance of Participating Banks

Having examined the overall performance of banks under AAP in a district, we proceed to next step of understanding the alignment process at the grass-root level i.e. in each economic sector viz. agriculture, industry and tertiary. Sector wise analysis relates to the districts having realistic range of credit achievement ratio in each of the 4 AAPs from 1983 to 1986. The relevant data is given

in Appendix no. V.1. The table no. 5.3 gives the summary data.

Table Number : 5.3

Sector-wise Distribution of Districts In the Realistic Range
of Credit Performance Under AAPs.

		(Code of Districts) (1983 to 1986)							
Sr. No.	AAP	Agricultural		Industry		Tertiary		Total AAP	
		Dist. Code	Total No.of Dist.	Dist. Code	Total No.of Dist.	Dist. Code	Total No.of Dist.	Dist Code	Total No.of Dist.
1	2	3	4	5	6	7	8	9	10
1	1983	4,5,7, 9,12, 14,15, 17,19.	9	2,6, 10,14, 15,18, 19.	7	6,10, 11,14, 15,17.	6	5,7, 10,14, 15,19.	6
2	1984	3,4,5, 6,7, 10,11, 12,13, 14,16, 18,19.	13	1,3,6, 8,14, 15.	6	1,2,3, 5,8,9, 11,12, 13,14, 15.	11	3,4,6, 7,11, 13,14, 16,18.	9
3	1985	1,2,3, 4,6, 10,11, 12,13, 14,15, 16,18, 19.	14	4,8, 11,18.	4	1,2,4, 6,7, 10,11, 12,13, 14,19.	11	1,3,4, 6,7,8, 10,11, 13,14, 15,16, 18,19.	14
4	1986	1,2,5, 6,7, 10,11, 12,13, 15,16, 17,18.	13	1,3,7, 9,11, 12,13, 15.	8	5,6,7, 8,9, 10,12, 13,14, 15,18, 19.	12	1,3,5, 6,7,9, 10,11, 12,13, 14,15, 16,19.	14

Source : Based on appendix no. V.1.

It is clear from the above table no. 5.3 that in all the years the highest number of districts showing alignment (realistic credit achievement ratio) were in Agriculture, with Tertiary sector following closely. The least degree of alignment was observed in the Industry sector, which is difficult to explain considering the fact that project planning should be much better in this sector compared to the other two sectors.

Secondly, under AAP 1986, 14 districts had realistic range of alignment ratio under Total AAP. 13 showed alignment in agricultural sector, 12 in tertiary sector and 8 in industry sector. However, only four districts had alignment ratio in all the three sectors and Total AAP. These four districts were Kutch (7), Surat(12), Kheda(13) and Banaskantha(15).

Thirdly, there are some districts showing alignment in all the three sectors as well as under the total AAP. These were Panchmahals(14) and Banaskantha(15) under AAP 1983, Jamnagar(3) and Panchmahals(14) under AAP 1984, Junagadh(4) and Bharuch(11) under AAP 1985, and Kutch(7), Surat(12), Kheda(13) and Banaskantha(15) under AAP 1986.

Fourthly, although Kutch(7) and Panchmahals(14) districts had realistic range of alignment ratios in all

the four years under AAPs as noted earlier, they do not have similar performance in any of the sectors, except Panchmahals had in tertiary sector (for all years). This implies that the overall alignment in these two districts is merely a coincidence.

Performance Evaluation of Participating Banks under AAP 1986

The above analysis had the focus on districts of Gujarat, as the alignment of banking and development planning is perceived at the district level. However, as the main concern of this study is the rural banking system, we now consider the performance of each participating bank under the AAP 1986. Banks deliver credit to the ultimate users/Producers. All the banks and credit institutions operating in the State are listed in appendix no. V.3.

This section aims at analysis of operations of each participating bank from the following three dimensions:

1. To find out the number of districts in which a bank was participating under AAP 1986.
2. To find out the number of districts in which a bank had one or more percent share in the total disbursements under AAP 1986. and,
3. To find out the number of districts in which, it had credit disbursements ratio within the realistic range (± 25 per cent range).

The relevent data on performance of participating banks under AAP 1986, is given in appendix no. V.2 and is summarised in table no. 5.4 given below.

Table Number : 5.4

Performance of participating Banks Under AAP 1986.

Sr. No.	Participating Bank		Number of Districts in which		
	Code No.	Name	Participating	**	@@
1	2	3	4	5	6
1	1	BOB	19	19	19
2	2	Dena bank	18	18	11
3	3	SBS	17	11	4
4	4	Allahabad bank	5	-	-
5	5	Andra bank	2	-	-
6	6	BOI	18	15	5
7	7	BOM	11	-	-
8	8	Canara bank	9	3	-
9	9	CBI	17	14	9
10	10	Corporation bank	8	1	-
11	11	Indian bank	13	5	3
12	12	IOB	13	5	1
13	13	NBOI	8	2	-
14	14	PNB	16	9	2
15	15	PSB	4	-	-
16	16	OBC	4	-	-
17	17	Syndicate bank	13	1	-
18	18	Union BOI	18	10	3
19	19	United BOI	2	-	-
20	20	UCO	15	2	1
21	21	Vijaya bank	7	1	-
22	22	SBI	19	15	5
23	23	SBI Sub.	4	1	-
24	25	Pvt.Sec.CBs.	3	-	-
25	26	RRB	15	9	5
26	27	DCCB	18	18	14
27	28	GSLDB	18	17	4
28	29	Other Inst.	7	7	1

** Having 1 or more per cent share in Credit Disbursements under Total AAP.

@@ Having achievement Ratios In Realistic range.

Source : Based on appendix no. V.2.

There are 28 primary credit delivery institutions operating in the Gujarat State under AAP 1986. For analysis we have taken the actual number of participating banks in each district under AAP 1986. The table no. 5.4 indicates that the number of districts in which a bank operated vary from 2 (Andra bank and United BOI) to all 19 districts (BOB and SBI). Further, BOB was the only bank having more than one per cent share in the total credit disbursements under AAP 1986, in all the district of Gujarat state. Dena bank and DCCB had similar position in 18 districts of Gujarat state. Further, of the total 28 participating banks, 12 had atleast one per cent share in AAP disbursements in 50 per cent or more of its operating districts. These are BOB, Dena bank, SBS, BOI, CBI, PNB, Union BOI, SBI, RRB, DCCB, GSLDB and other Insti. on the other hand, seven banks viz. Allahabad bank, Andra bank, BOM, PSE, OBC, United BOI and Pvt. Sec. CBs, had less than one per cent share in all the districts in which they operated and hence these banks are eliminated from further analysis.

Further, of the remaining 21 participating banks, 4 banks viz BOB, Dena bank, CBI, and DCCB had realistic range of achievement ratios in 10,11,9 and 14 districts respectively. Other 11 participating banks had realistic range of achievement ratios only in 5 or less number of the total number of districts under operation. The remaining 6 banks viz. Canara bank, Corporation bank, NBOI, Syndicate bank, Vijaya bank and SBI sub. had not a single district with realistic range of achievement performance and hence these banks are eliminated from further analysis.

Performance Evaluation of Participating Banks In Each Sector
At The District Level Under AAP 1986.

Having examined the overall credit performance of participating banks, we now proceed to evaluate their sector wise credit performance. For this, we have selected fifteen banks having credit achievement ratios in the realistic range under total AAP in atleast one district. These banks are BOB, Dena bank, SBS, BOI, CBI, Indian bank, IOB, PNB, Union BOI, UCO, SBI, RRB, DCCB, GSLDB and other Insti.. The relevant data is give in appendix no. V.4 and summarised in table no. 5.5.

Table Number : 5.5Performance of Banks in Each Sector Under AAP 1986.

Sr. No.	Participating Bank		Agriculture.	(No. of Districts)		
	Code No.	Name		Industry	Tertiary	Total AAP
1	2	3	4	5	6	7
1	1	BOB	8	5	5	10
2	2	Dena Bank	8	1	1	11
3	3	SBS	2	-	3	4
4	6	BOI	1	2	2	5
5	9	CBI	7	2	1	9
6	11	Indian bank	-	2	1	3
7	12	IOB	-	-	-	1
8	14	PNB	-	2	-	2
9	18	Union BOI	1	-	3	3
10	20	UCO	-	-	-	1
11	22	SBI	4	2	2	5
12	26	RRB	1	1	2	5
13	27	DCCB	12	-	-	14
14	28	GSLDB	4	-	-	4
15	29	Other Insti.	-	-	-	1

Source : Based on Appendix no. V.4.

The above table reveals that six banks viz. BOB, Dena bank, CBI, SBI, DCCB and GSLDB had realistic range of achievements in maximum number of district in agriculture sector. (it may be noted that DCCB and GSLDB are mainly involved in financing agriculture sector) similarly three banks viz.,

SBS, Union BOI and RRB had better performance in tertiary sector. Lastly, only two banks viz. Indian bank and PNB had better performance in Industry sector. BOI had performance achievement in realistic range in 2 districts each under Industry and tertiary sector. The remaining three banks viz. IOB, UCO, and other Instl. did not have realistic range of performance in any of the three sectors in the operating districts.

Only BOB had distinctly better performance in all the three sectors.

The policy implication of the above analysis is that in future, the participating banks in the district, should be given major shares under the next round of AAP in those sectors in which they have credit achievements ratios in the realistic range.

Conclusion

The number of districts having credit performance in the realistic range of ± 25 per cent increased from 6 (32 per cent of total districts) under AAP of 1983 to 14 (74 per cent of total districts) under the AAP of 1986. However, annually only 2 districts viz Kutch and Panchmahals showed good overall alignment all through the study period. However, they donot show satisfactory performance in any one

of the sectors, except, panchmahals in tertiary sector (in all the years).

Secondly, analysing the each participating banks performance under the AAP of 1986, we find that only one participating bank viz. Bank of Baroda had atleast one per cent share in total AAP disbursements in all the 19 districts of Gujarat state. Whereas, Dena Bank and DCCB had the similar position in the 18 districts. Further, 15 out of total 28 participating banks in the state had atleast one per cent share as well as credit performance in the realistic range, in one of the total number of districts in which they operated. These banks are BOB, Dena bank, SBS, BOI, CBI, Indian bank, IOB, PNB, Union BOI, UCO, SBI, RRB, DCCB, GSLDB and other Insti..

Thirdly, the sectorwise analysis of credit performance of those 15 selected banks revealed that 6 banks had better alignment in maximum number of districts under agriculture sector. Other 3 banks had in tertiary sector, & 2 banks in Industry sector. Further, 3 participating banks did not show a realistic range of performance in any of the three sectors in the districts in which they operated.

And lastly, only one bank viz. Bank of Baroda had distinctly better performance in all the three sectors.

In sum, we find that very few number of participating banks in each district show satisfactory performance in terms of alignment of the banking system with the system of development planning. Even then, in 11 districts the aggregate share of such banks was more than half of the total credit deployed under AAP. Only 4 out of 28 participating banks had satisfactory performance from the alignment point of view in more than 50 per cent of the districts in which they operated, which is indeed a very poor performance. The sectoral analysis clearly reveals that the process of alignment is much better in case of agriculture compared to the tertiary and industry sectors. However on the whole the analysis pin points that very little is achieved in terms of alignment of the banking and planning systems.