

ANALYSIS OF FINANCIAL PERFORMANCE OF SARVA HARYANA GRAMIN BANK IN HARYANA USING CAMEL MODEL

Dr. Madhu Kakkar

Associate Professor, Department of Commerce, Sanatan Dharam Mahila

Mahavidyalya, Hansi (Hisar), Haryana (India)

ABSTRACT

This research paper helps to discover the financial performance of RRB in Haryana. These banks have been formed for the people of rural areas individuals for banking services. The study is based on secondary sources that were attained from the annual reports of RRB of Haryana, RBI yearly Reports and Annual Reports of NABARD. The study has been covered the year from 2018 to 2022. Using the CAMEL model, this study analyses the performance of RRB of Haryana across four years, from 2018-19 to 2021-22. The camel model consist five variables. Camel model is a ratio-based model which was emerged in 1979-80 as a consistent supervisory rating system.

Keywords: Haryana, Financial Performance, Ratios, RRBs

INTRODUCTION

Haryana previously had two rural regional banks called Gurgaon Gramin bank and Haryana Gramin bank. After Haryana Gramin Bank and Gurgaon Gramin Bank merged, Sarva Haryana Gramin Bank was formed via notification from November 29, 2013. This bank was sponsored by the Punjab National Bank, which had its headquarters in Rohtak. With a network of 843 branches spread across 22 districts in Haryana. Sarva Haryana Gramin Bank is now functioning in Haryana. The Bank is committed to providing excellent and secure saving choices to rural communities in order to meet their financial needs and encourage them in becoming self-sufficient. Banks accomplish their social obligation by providing particular support to the weaker and poorer segments of society.

REVIEW OF LITERATURE

Ibrahim (2010) assessed the RRBs' progress in India. The data used has been obtained from secondary sources. This study arrived to the conclusion that the progress of RRBs was improved after the wider merger. According to this study, the government must adopt a number of strategies to reduce the gap between the CD ratio of RRBs and Indian commercial banks.

Sharma (2011) examined the contribution of RRBs to the development of the Haryana . This study showed that RRBs obtained their prominence as a bank by providing lending facilities to small business owners, marginal farmers, and the agricultural sector for production motives. RRBs further assist their customers by granting favors related to a variety of essential schemes, and they have a significant impact on the progress of the agricultural regions economy in Haryana.

Baligatti and Danappanavar (2016) analysed the achievements of RRBs through variety of components viz. number of branches, total deposits of RRB, credit deposit ratio, profitability ratio, and lending services. This study explained that there were a high extension in the numbers of branches of RRBs in India but overall deposits and advances were turn down.

Balamuniswamy (2018) showed the effectiveness of the agricultural credit structure of RRBs in Andhra Pradesh and reviewed the advancement associated with the loan facility supplied by Andhra Pragathi Grameen Bank in the farming and non-agricultural section. This study concluded that Andhra Pragathi Grameen Bank achieve high refinement in increasing the state's rural economy. This study found that the nonagricultural section had a higher recovery proportion than the agrarian zone.

Bhandari (2019) indicated that the activity of RRBs based on areas comprised years from 2005 to 2013 through a wide range of variables such as area wise branch network, net profit, NPAs, loan and advance, and recovery performance. ANOVA was the statistical tool applied in this case. This study determined that the overall number of branches integrated based on region was reduced, while the growth rate of profit-earning RRBs was enhanced. According to the results provided by this study, the government should make numerous initiatives to boost the financial operation provisions for RRBs.

Rehman (2020) investigated the many strategies adopted by staff in order to enhance RRB performance. This study was done in Uttar Pradesh. Chi-square and frequency distribution were the many statistical techniques used in this. It was discovered that the efficiency of these banks' personnel was favorable as they urged people to invest money and helped to broaden credit services in underdeveloped areas.

OBJECTIVE OF THE STUDY

To study about the financial performance of Sarva Haryana Gramin Bank in Haryana over a four-year period, from 2018-19 to 2021-21, using the camel model.

RESEARCH METHODOLOGY

This is descriptive research that is collected from secondary data. This financial information of RRB is taken from annual reports, and the generated data is examined by using the CAMEL model. It is a ratio-based model which was emerged in 1979-80 as a consistent supervisory rating system. This method evaluates an organization's financial performance by calculating multiple financial ratios from financial statements. The camel is an abbreviation for the five criteria listed below.

- Capital Adequacy
- Assets Quality
- Management Efficiency
- Earning Quality
- Liquidity

ANALYSIS AND INTERPRETATION

CAPITAL ADEQUACY RATIOS

Following ratios were discovered in the present research applying the capital adequacy ratio.

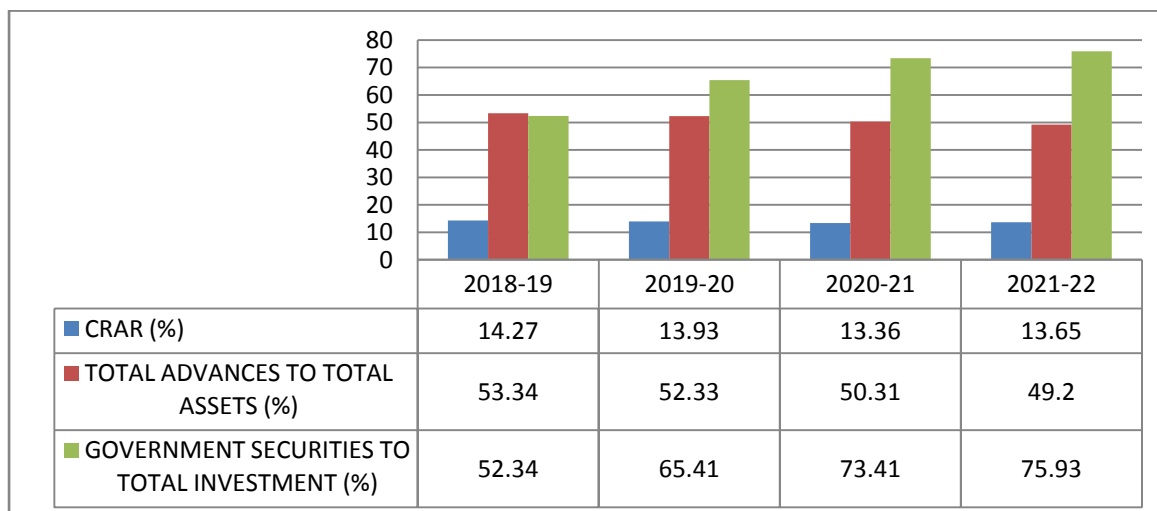
- ❖ Capital to Risk Assets Ratios
- ❖ Total advances to total assets Ratios
- ❖ Government securities to total investment Ratios

Table 1: Capital Adequacy Ratios

YEAR	2018-19	2019-20	2020-21	2021-22	MEAN
CRAR (%)	14.27	13.93	13.36	13.65	13.80
TOTAL ADVANCES TO TOTAL ASSETS (%)	53.34	52.33	50.31	49.20	51.29
GOVERNMENT SECURITIES TO TOTAL INVESTMENT (%)	52.34	65.41	73.41	75.93	66.77

Source: Sarva Haryana Gramin Bank's Annual Reports (2018-22).

Figure 1: Capital Adequacy Ratios



Capital to Risk Assets Ratios (CRAR)

As per the standard of RBI, each bank has to keep at least a 9 per cent ratio of capital to risk assets. Sarva Haryana Gramin Bank has fulfilled this requirement for the given study period. The above data reflects that the CRAR of the bank in 2021-22 is 13.65 per cent.

Total advance to total assets

The given ratio signifies a bank's granting operations with a view to achieve a higher interest rate, which eventually helps to enhance the bank's profitability. Higher percentage would be preferred. This ratio was 53.34 percent in 2018-19, but it will be lesser in 2021-22.

Government securities to total investment

The given ratio reflects the bank's risk-adjusted condition. A higher ratio is desired. The ratio was 52.34 percent in 2018-19, and it grew to 75.93 percent in 2021-22, indicating a rising trend throughout the four years.

Composite result of the Capital Adequacy Ratio

The combined result of the stated ratios in this ratio revealed that the bank smoothly retained necessary percentage of CRAR. Almost the entire study period, total advance to total assets ratio showed decreasing trend. However, government securities in total investment ratio were climbed over course of the study.

ASSETS QUALITY RATIOS

Following ratios have been determined using the asset quality parameter:

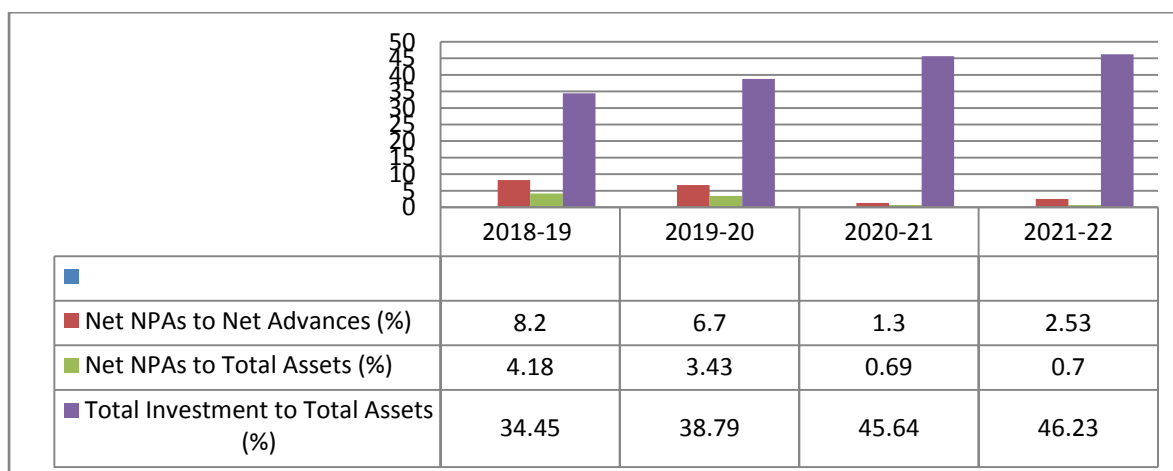
- ❖ Net NPAs to Net Advances Ratio
- ❖ Net NPAs to Total Assets Ratio
- ❖ Total Investment to Total Assets Ratio

Table 2: Assets Quality Ratios

YEAR	2018-19	2019-20	2020-21	2021-22	MEAN
Net NPAs to Net Advances (%)	8.20	6.70	1.30	2.53	4.68
Net NPAs to Total Assets (%)	4.18	3.43	0.69	0.70	2.25
Total Investment to Total Assets (%)	34.45	38.79	45.64	46.23	41.27

Source: Sarva Haryana Gramin Bank's Annual Reports (2018-22).

Figure 2: Assets Quality Ratios



Net NPAs to Net Advances

The above ratio showed that net NPA ratio to net advances decreased from 8.2 per cent in 2018-19 to 2.53 per cent in 2021-22. Banks would prefer a lower value for this percentage.

Net NPAs to Total Assets

Above-mentioned ratio expressed NPA as a proportion of total assets. This ratio's recommended value should be lower. The net NPA-to-total-assets ratio was 4.18 percent in 2018-19 and 0.7 percent in 2021-22. This ratio showed a declined trend.

Total Investment to Total Assets

The above table indicated that the this ratio showed the jumped from 34.45 per cent in 2018-19 to 46.23 per cent in 2021-22

Combined result of Assets Quality Ratio

This parameter's combined result demonstrated that net NPAs to net advance ratio and net NPAs to total assets ratio result was approximately falling lower. However, the proportion of total investment for total assets rose over the duration of the study.

MANAGEMENT EFFICIENCY RATIOS

Different ratios was used to measure the efficiency of management was given below:-

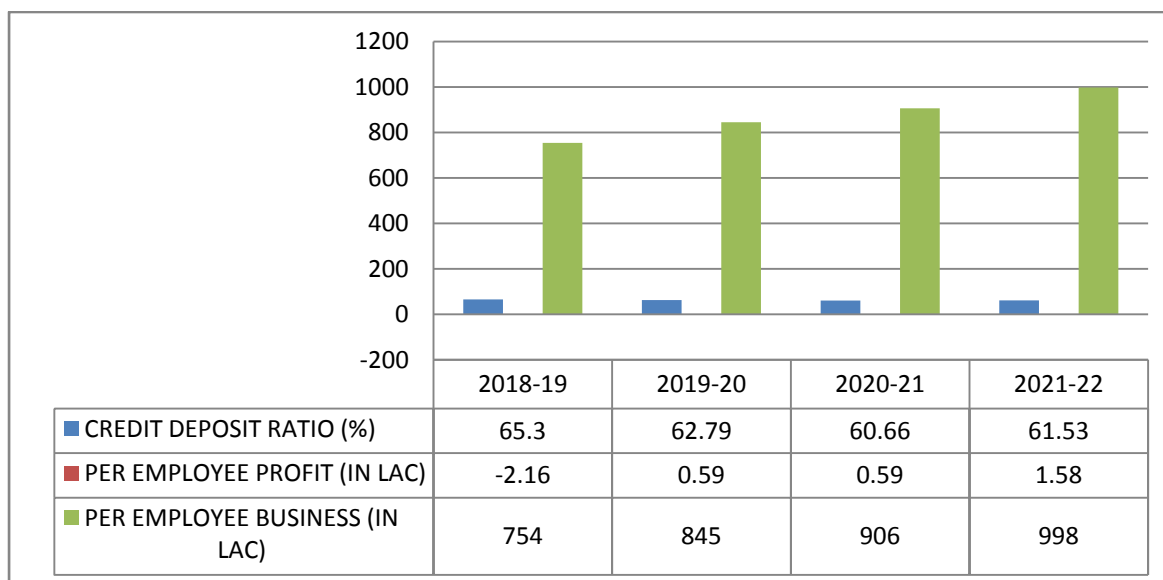
- Credit Deposit Ratio
- Profit per Employee
- Business per Employee

Table 3: MANAGEMENT EFFICIENCY RATIOS

YEAR	2018-19	2019-20	2020-21	2021-22	MEAN
CREDIT DEPOSIT RATIO (%)	65.30	62.79	60.66	61.53	62.57
PER EMPLOYEE PROFIT (IN LAC)	-2.16	0.59	0.59	1.58	0.15
PER EMPLOYEE BUSINESS (IN LAC)	754	845	906	998	875.75

Source: Sarva Haryana Gramin Bank's Annual Reports (2018-22).

Figure 3: MANAGEMENT EFFICIENCY RATIOS



Credit Deposit Ratio

The given ratio depicts the total amount of loans and advances granted. A greater credit deposit ratio demonstrates that the bank is very productive. From the table, the credit deposit ratio dropped from 65.30 percent in 2018-19 to 61.53 percent in 2021-22.

Profit per Employee

The above table showed the per employee profit climbed from 0.59 lacs in 2019-20 to 1.58 lacs in 2021-22.

Business per Employee

The value of business per employee rose from 754 lacs in 2018-19 to 906 lacs in 2021-22. In both scenarios, the higher ratio would be advantageous to the bank.

Combined result of Management Efficiency Ratios

The combined result of this metric implied that bank's credit deposit ratio was unsatisfactory. The worth of business per employee and per branch climbed.

EARNING QUALITY RATIOS

Following parameters have been considered to measure this ratio is given below:-

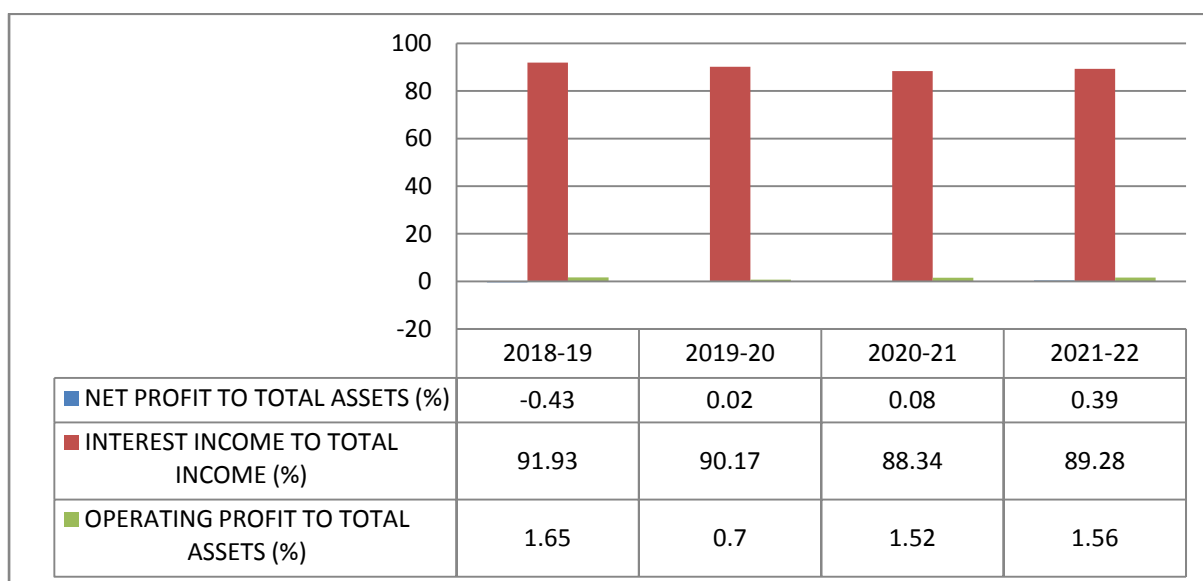
- ❖ Net Profit to Total Assets Ratio
- ❖ Interest Income to Total Income Ratio
- ❖ Operating Profit to Total Assets Ratio

Table 4: EARNING QUALITY RATIOS

YEAR	2018-19	2019-20	2020-21	2021-22	MEAN
NET PROFIT TO TOTAL ASSETS (%)	-0.43	0.02	0.08	0.39	0.015
INTEREST INCOME TO TOTAL INCOME (%)	91.93	90.17	88.34	89.28	89.93
OPERATING PROFIT TO TOTAL ASSETS (%)	1.65	0.70	1.52	1.56	1.35

Source: Sarva Haryana Gramin Bank's Annual Reports (2018-22).

Figure 4: EARNING QUALITY RATIOS



Net Profit to Total Assets

The given ratio indicates how the bank uses its total assets in a planned way. In 2021-22, this ratio was 0.39 percent.

Interest Income to Total Income

Chief source of income for the bank is interest income. Higher ratios convey that the bank's interest earning efficiency is vibrant. As shown in the table, the ratio of interest income to total income slipped from 91.93 in 2018-19 to 89.28 percent in 2021-22.

Operating Profit to Total Assets

From the above table, the operating profit to total assets ratio declined from 1.65% in 2018-19 to 1.56% in 2021-22.

Combined result of earning quality ratio

This ratio's combined result indicated that the proportion of net profit to total asset value climbed and operational profit for total assets turned it down. The ratio of interest income to total revenue, reached at a declining speed. This indicated that the bank failed to make optimum use of its assets.

LIQUIDITY RATIOS

In this study, several ratios were examined in order to evaluate bank's liquidity position:

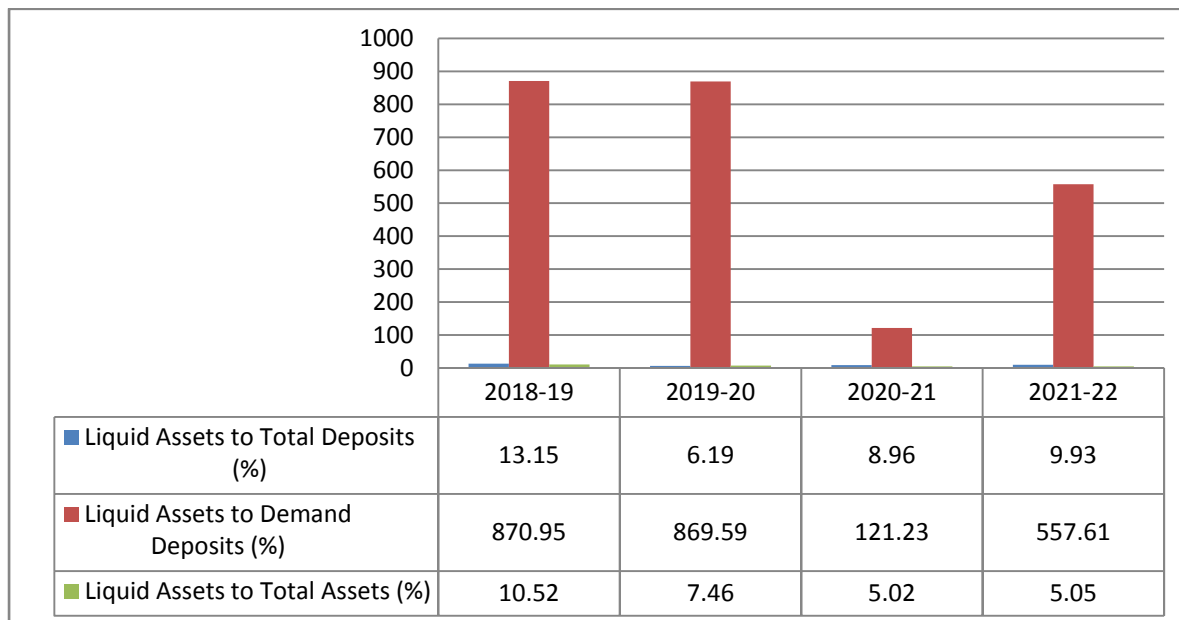
- ❖ Liquid Assets to Total Deposits Ratio
- ❖ Liquid Assets to Demand Deposits Ratio
- ❖ Liquid Assets to Total Assets Ratio

Table 5: LIQUIDITY RATIOS

YEAR	2018-19	2019-20	2020-21	2021-22	MEAN
Liquid Assets to Total Deposits (%)	13.15	6.19	8.96	9.93	9.55
Liquid Assets to Demand Deposits (%)	870.95	869.59	121.23	557.61	604.84
Liquid Assets to Total Assets (%)	10.52	7.46	5.02	5.05	7.01

Source: Sarva Haryana Gramin Bank's Annual Reports (2018-22).

Figure 5: LIQUIDITY RATIOS



Liquid Assets to Total Deposits

Given table highlighted that ratio has decreased from 13.15 percent in 2018-19 to 9.93 percent in 2021-22. This lowering trend highlighted the bank's inadequate position.

Liquid Assets to Demand Deposits

Given table highlighted that, a greater ratio implies that the bank has a healthier liquidity position. Referring to above data, liquid assets to demand deposits turn down from 870.95 in 2018-19 to 557.61 in 2021-22.

Liquid Assets to Total Assets

The above mentioned ratio help the evaluate the liquidity status of the bank. As per the given table, the ratio was 10.52 in 2018-19 and declined to 5.02 in 2021-22.

Combined result of liquidity ratio

The combined result of this ratio showed that the proportion of Liquid assets for total deposits ratio, Liquid assets for demand deposits ratio and Liquid assets for total assets result was decreased.

CONCLUSION

This research found that Performance of Sarva Haryana Gramin bank by using 15 ratios of the Camel Model. According to the findings of this study, Sarva Haryana Gramin Bank achieved better in aspects of capital adequacy ratio and asset quality ratio. The management efficiency performance is normal, while the bank's earning quality ratio and liquidity ratio performance was below as expected.

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