

A Study on The Performance of Sarva Haryana Gramin Bank In Haryana Using Camel Model

Sakshi Gupta¹ Dr.Surbhi Jain²

¹Research Scholar, Department of Commerce and Management, Baba Mast Nath University, Asthal Bohar, Rohtak, Haryana (India)

²Assistant Professor, Department of Commerce and Management, Baba Mast Nath University, Asthal Bohar, Rohtak, Haryana (India)

ABSTRACT

Regional rural banks were established in 1975 on the recommendation of the Narasimham working Committee. The main objective of RRBs is to provide rural credit to the rural section of society. In March 2011, after amalgamation total number of RRBs was declined to 82. During the year 2012-2013, 31 RRBs amalgamated into 13 RRBs as a result total no of RRBs in March 2013 was 64. However, currently, there are 43 RRBs in India. Presently, there is only one RRB working in Haryana that is Sarva Haryana Gramin Bank. This study examines the performance of Sarva Haryana Gramin Bank throughout four years from 2017-18 to 2020-21 by using the CAMEL model. The camel is an abbreviation for the five parameters: Capital Adequacy, Assets Quality, Management Efficiency, Earning Quality, and Liquidity.

KEYWORDS: RRBs, Gramin bank, Performance, Ratios

INTRODUCTION

Earlier, Haryana had two regional rural banks named Haryana Gramin bank and Gurgaon Gramin bank. Sarva Haryana Gramin bank came into existence after the merger of these two banks.

Haryana Gramin Bank (HGB)

Haryana Gramin Bank (HGB) was established on 21 December 2005, after executing a Government of India (GOI) announcement regulating the consolidation of RRBs into a single state, as per Section 3 of the Regional Rural Banks Act, 1976. Punjab national bank-sponsored this Bank, and its head office was in Rohtak. After the merger of the three regional rural banks in Haryana, namely Haryana "Kshetriya Gramin Bank, another was Hisar Sirsa Kshetriya Gramin Bank and Ambala "Kurukshetra Gramin Bank, a new bank was formed that was Haryana Gramin Bank.

Gurgaon Gramin Bank (GGB)

The Gurgaon "Gramin Bank (GGB)" was established in 1976. Syndicate Bank sponsored this bank and head office of this situated in Gurgaon. The chief aim of this Bank was to create banking habits between the rural populations by revealing the benefit of small savings. It also offered finance for constructive uses to help the residents in rural areas to improve their living standards.

Sarva Haryana Gramin Bank (SHGB)

Sarva "Haryana Gramin Bank was formed after the amalgamation of Haryana Gramin Bank & Gurgaon Gramin Bank vide Notification dated 29.11.2013. Punjab national bank sponsored this Bank, and its head office was in Rohtak. At present, Sarva Haryana Gramin bank operates in 22 districts in Haryana with a network of 654 branches and 10 regional offices in different districts. The Bank is devoted to meeting rural people's financial requirements to help them in becoming self-sufficient and provide them superior and secure saving options. Banks accomplish their social responsibility by offering specific assistance to society's weaker and underprivileged sections.

REVIEW OF LITERATURE

Ibrahim (2010) assessed the performance of the RRBs in India. This data was collected through secondary sources. This study concluded that after the overall merger development of RRBs was enhanced. This study proposed that government has to take various steps to decline the gap between the credit deposit ratio of RRBs and commercial banks of India.

Sharma (2011) investigated the role of RRBs in the progress of the economy in Haryana and disclosed Haryana's zone-wise performance. This study indicated that RRBs built their high status as a bank by granting lending facilities to the marginal farmers, the agriculture sector, and small business people for production purposes as well; as it also gives advantages related to various kinds of valuable schemes to their customers and plays an appreciable role in the growth of the rural economy in Haryana.

Baligatti and Danappanavar (2016) studied the performance of RRBs through several components viz. number of state-wise branches, total deposits, credit deposit ratio, profitability position, and lending services. This study found that there were a high expansion in the numbers of branches of RRBs but total deposits and advances were reduced.

Balamuniswamy (2018) analyzed the performance of the agricultural credit framework of RRBs in Andhra Pradesh and assessed the progress connected with the loan facility given by Andhra Pragathi Grameen Bank in the farming and nonagricultural section. This study concluded that Andhra Pragathi Grameen Bank attained improvement in increasing the state's rural economy. It was discovered that the nonagricultural zone's recovery percentage was higher than the agricultural zone.

Bhandari (2019) stated that the working of RRBs based on the various zones covered years from 2005 to 2013 through numerous components such as area wise branch network, net profit, NPAs, loan and advance, and recovery performance. The statistical tool used in this was ANOVA. This study concluded that the total merger number of branches based on various regions was declined, and the

growth rate of profit earning RRBs was enhanced. This study suggested that the government should make multiple efforts to improve the financial service arrangements for RRBs.

Rehman (2020) evaluated the various procedures followed by employees to increase the performance of RRBs. This study was done in Uttar Pradesh. The different statistical tools used in this were chi-square and frequency distribution. It was found that the performance of employees of these banks was good as they encourage the people for mobilization of the fund as well as officers also help to increase the credit services in the backward region and from bank officials point growth of the bank was good.

OBJECTIVE OF THE STUDY

To study the performance of Sarva Haryana Gramin Bank in Haryana across four years, from 2017-18 to 2020-21, using the camel model.

RESEARCH METHODOLOGY

This is descriptive research that relies on secondary data. This information is taken from Sarva Haryana Gramin Bank's yearly reports, and the resulting data is evaluated using the CAMEL model. It is a ratio-based model developed in 1979-80 as a consistent supervisory rating system in the united state in 1970-80. This approach uses several financial ratios computed from financial statements to assess an organization's financial performance. 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

This parameter informs about how much capital a bank has to maintain against the bank's risk exposure. The reason is to establish that the bank has adequate capital on reserve to tackle losses before being at the risk of insolvency. The foremost ratio is the capital to risk assets ratio to compute this parameter. In this research, the following ratios have been determined under the parameter of capital adequacy:-

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

Table 1
CAPITAL ADEQUACY RATIOS

YEAR	2017-18	2018-19	2019-20	2020-21	MEAN	SD	CV
CRAR (%)	16.27	14.93	13.63	13.63	14.61	1.26	7.75
TOTAL ADVANCES TO TOTAL ASSETS (%)	53.24	53.33	52.31	49.19	52.01	1.94	3.73
GOVERNMENT SECURITIES TO TOTAL INVESTMENT (%)	62.34	52.41	66.41	74.93	64.02	9.35	14.6

Source: Compiled from the Annual Reports Sarva Haryana Gramin Bank

Capital to Risk Assets Ratios (CRAR)

As per the standard of RBI, each bank must maintain at least a 9 per cent ratio of capital to risk assets. Sarva Haryana Gramin Bank has fulfilled this requirement during the given study period. The above table showed that the CRAR of the bank in 2017-18 is 16.27 per cent, and in 2020-21 it was 13.63 per cent.

Total advance to total assets

This ratio specifies the aggressive lending operations of a bank to get a higher interest rate, which ultimately help in improving the bank's profitability. Higher percentage would be considered. In 2017-18 this ratio was 53.24 per cent, but in 2020-21, it was declined. For four years, the average value of total advance to total assets was 52.01 per cent, SD showed 1.94 per cent and CV was 3.73 per cent.

Government securities to total investment

This ratio indicates the risk facing position of the bank. Higher ratio would be preferred. The ratio was 62.34 per cent in 2017-18 further in 2020-21 it was increased to 74.93 per cent, which revealed the increasing trend with a mean value of 64.02 per cent, SD was 9.35 per cent, and CV showed 14.60 per cent for the given four years.

The combined result of the capital adequacy ratio

In this parameter, the combined result of given ratios showed that the bank successfully maintained the required percentage of CRR. The total advance to total assets ratio almost showed a downward trend for an entire study period. On the other side, the proportion of Government securities to total investment was showed an upward trend in the whole duration of the study.

ASSETS QUALITY RATIOS

Another important parameter of this model is assets quality. The main objective of estimating the assets quality is to determine the position of Non Performing Assets for a percentage of the bank's total assets. The following ratios have been computed under the parameter of asset quality:-

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

Table 2
ASSETS QUALITY RATIOS

YEAR	2017-18	2018-19	2019-20	2020-21	Mean	SD	CV
Net NPAs to Net Advances (%)	4.20	8.70	6.30	1.53	5.18	3.051	58.87
Net NPAs to Total Assets (%)	2.18	4.43	3.11	0.69	2.60	1.574	60.48
Total Investment to Total Assets (%)	33.45	34.79	39.64	46.2	38.52	5.76	14.97

Source: Compiled from the Annual Reports Sarva Haryana Gramin Bank

Net NPAs to Net Advances

The above mentioned ratio reveals the value of the sum of total advance, which is locked in nonperforming assets. Banks would consider the lower value of this ratio better for the bank. The net NPA ratio to net advances decreased from 4.20 per cent in 2016-17 to 1.53 per cent in 2020-21. With a mean of 5.18 per cent, SD was 3.05 per cent, and CV was 58.87 per cent, this ratio demonstrated a downward trend.

Net NPAs to Total Assets

The above mentioned ratio stated the percentage of total assets for NPA. The value of this ratio preferred should be lower. The balance of net NPA to total assets was 2.18 per cent in 2017-18 and 0.69 per cent in 2020-21. This ratio revealed a decreasing trend. The mean value of different four years was 2.60 per cent, SD was 1.57 per cent and CV was 60.48 per cent.

Total Investment to Total Assets

This ratio computes the percentage of total investment to total assets. The value of this ratio preferred should be lower. Higher ratio indicates more funds are trapped up in the form of investment which restricts the availability of funds for granting fresh loans and advances. In this table, this ratio showed the increasing trend from 33.45 per cent in 2017-18 to 46.2 per cent in 2020-21. The above table indicates the Mean value, SD value, and CV value of total investment to total assets was 38.52 per cent, 5.76 per cent and 14.97 per cent.

Combined result of assets quality ratio

This combined result of this parameter showed that the ratio of net NPAs for net advance and net NPAs for total assets was almost showed a downwards trend. Still, the proportion of total investment for total assets was increased for the entire study period.

MANAGEMENT EFFICIENCY RATIOS

Another significant parameter of the CAMEL model is management efficiency. Management is mainly associated with the decision making power, and achievement of objectives primarily depends upon the efficiency and capability of management. Some different parameters to measure the efficiency of management was given below:-

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

Table 3
MANAGEMENT EFFICIENCY RATIOS

YEAR	2017-18	2018-19	2019-20	2020-21	MEAN	SD	CV
CREDIT DEPOSIT RATIO (%)	64.30	65.79	62.66	60.53	63.32	0.02	3.56
PER EMPLOYEE PROFIT (IN LAC)	3.96	-2.59	0.09	0.58	0.51	2.68	527.27
PER EMPLOYEE BUSINESS (IN LAC)	737	753	844	905	809.75	79.07	9.76
PER BRANCH PROFIT (IN LAC)	18.37	-12.69	0.45	2.79	2.23	12.73	571.10
PER BRANCH BUSINESS (IN LAC)	3411	3688	4026	4333	3864.5	400.99	10.37

Source: Compiled from the Annual Reports Sarva Haryana Gramin Bank

Credit Deposit Ratio

This ratio shows the total amount given in loans and advances. A higher credit deposit ratio denotes the high efficiency of the bank. The table revealed that the credit deposit ratio was decreased from 64.30 per cent in 2017-18 to 60.53 per cent in 2020-21. The mean value of credit deposit ratio of four years was 63.32 per cent, SD was 0.02 per cent and CV was 3.56 per cent.

Profit per Employee and Business per Employee

The above table showed the per employee profit decreased from 3.96 lacs in 2017-18 to 0.58 lacs in 2020-21. On the other side, business per employee showed an increasing value from 737 lacs in 2017-18 to 905 lacs in 2020-21. A higher ratio in both cases would be preferable for the bank.

Profit per Branch and Business per Branch

The above table showed that the profit per branch was decreased from 18.37 in 2017-18 to 2.79 in 2020-21, and on the other side, business per branch increased from 3411 lacs in 2017-18 to 4333 in 2020-21. Both values of the ratios revealed the decreasing trend with mean value 3864.5, SD value was 400.99, and CV was 10.37.

Combined result of Management Efficiency Ratios

The combined result of this parameter revealed that the credit deposit ratio maintained by the bank was not adequate. Both per employee business and per branch business was denoted increasing value. On the other side profit per employee and profit per branch was declined.

EARNING QUALITY RATIOS

Earning quality is the primary benchmark to determine the earning capacity of the bank. Interest income is the main core income of the bank. Every bank should focus on raising its core revenue about interest on lending income. Some parameters to measure this ratio is given below:-

Net Profit to Total Assets

- Interest Income to Total Income
- Operating Profit to Total Assets
- Other Income to Total Income

Table 4
EARNING QUALITY RATIOS

YEAR	2017-18	2018-19	2019-20	2020-21	Mean	SD	CV
NET PROFIT TO TOTAL ASSETS (%)	0.73	-0.46	0.01	0.08	0.09	0.48	543.80
INTEREST INCOME TO TOTAL INCOME (%)	86.93	91.17	90.34	88.28	89.18	1.930	2.16
OPERATING PROFIT TO TOTAL ASSETS (%)	2.30	1.64	0.69	1.51	1.53	0.66	43.06
OTHER INCOME TO TOTAL INCOME (%)	13.04	8.82	9.65	11.71	10.80	1.92	17.79

Source: Compiled from the Annual Reports Sarva Haryana Gramin Bank

Net Profit to Total Assets

This ratio indicates how systematically the bank uses its total assets. This ratio was 0.73 percent in 2017-18 and decreased continuously until 2020-21. An average of value of net profit to total assets was 0.09 per cent, SD was 0.48 per cent and CV was 543.80 per cent.

Interest Income to Total Income

Income received from interest is the chief source of funding for the bank. A higher ratio indicates the high interest earning efficiency of the bank. The above table revealed that the proportion of interest income to total income was increased from 86.93 percent in 2017-18 to 88.28 per cent in 2020-21. This showed the bank was efficiently earned high income from its lending operations.

Operating Profit to Total Assets

The mentioned ratio reveals the operating profit ratio concerning total assets. The above table indicated that in the initial year, the ratio had been 2.30 per cent 2017-18. Further, it was decreased to 1.51 per cent in 2020-21. The mean value of this ratio was 1.53 per cent, SD was 0.66 per cent, and CV was 46.06 per cent.

Other Income to Total Income

The other source income of every bank includes revenue generated from the commission, discounting of bills, fees, etc. The above table showed that the ratio was decreased from 13.04 per cent to 11.71 per cent in 2020-2. The mean value of this ratio was 10.80 per cent, SD was 1.92 per cent, and CV was 17.79 per cent.

Combined result of earning quality ratio

The combined result of this ratio concluded that the proportion of net profit to value of total assets, operating profit for total assets and other income for total income was decreased. On the other hand, the ratio of interest income to total revenue increased at a decreasing rate. This indicated that the bank was not able to proper utilization of its assets.

LIQUIDITY RATIOS

This parameter indicates the bank's capacity for the conversion of non-cash assets into cash at the time of requirement of the bank. Good liquidity position shows the paying capability of the bank at the time of the need of the depositors. In this study, different ratios have been evaluated to measure the liquidity position of the bank given below:-

- Liquid Assets to Total Deposits
- Government Securities to Total Assets
- Liquid Assets to Demand Deposits
- Liquid Assets to Total Assets

Table 5
LIQUIDITY RATIOS

YEAR	2017-18	2018-19	2019-20	2020-21	MEAN	SD	CV
Liquid Assets to Total Deposits (%)	13.91	13.11	6.17	8.93	10.53	3.63	34.52
Government Securities to Total Assets (%)	20.85	18.23	26.33	34.63	25.01	7.24	28.97
Liquid Assets to Demand Deposits (%)	857.95	869.58	1110.23	557.61	848.84	226.31	26.66
Liquid Assets to Total Assets (%)	11.52	10.63	7.46	5.01	8.65	2.99	34.54

Source: Compiled from the Annual Reports Sarva Haryana Gramin Bank

Liquid Assets to Total Deposits

From the above table, it was concluded that the ratio was declined from 13.91 per cent in 2017-18 to 8.93 per cent in 2020-21. This decreased trend showed the unsatisfactory situation of the bank. The average value of liquid assets to total deposits of four years was 10.53 per cent, SD was 3.63 per cent, and CV was 34.52 per cent.

Government Securities to Total Assets

The ratio as mentioned above shows the government securities as a percentage of the bank's total assets. Investment in government securities is totally secure and highly liquid. This higher ratio would be preferable for the banks. The above table indicates that the proportion of government securities to total assets was increased from 20.85 in 2017-18 to 34.63 in 2020-21. The mean value of this ratio was 25.01 per cent, SD was 7.24 per cent, and CV was 28.97 per cent.

Liquid Assets to Demand Deposits

In this case, higher ratio is the sign of the better liquidity position of the bank. The maturity time of the demand deposit is short as the demand of this amount can be withdrawn by depositors anytime. The above table reveals that the ratio of liquid assets to demand deposits was decreased from 857.95 2017-18 to 557.61 in 2020-21. The mean value of this ratio was 848.84 per cent, SD was 226.31 per cent, and CV was 26.66 per cent.

Liquid Assets to Total Assets

The above mentioned ratio determines the liquidity status of the bank. These assets can easily be converted into cash within a short period. This Higher ratio is the sign of the better liquidity position of the bank. As per the given table, the ratio was 11.52 in 2017-18 and decreased consistently to 2020-21.

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The mean value of liquid assets to total assets was 8.65 per cent, SD 2.99 was per cent, and CV was 34.54 per cent.

Combined result of liquidity ratio

The combined result of this ratio denoted that the proportion of Liquid assets for total deposits, Liquid assets for demand deposits, Liquid assets for total assets was declined. Further, the ratio of government securities to total assets was increased.

CONCLUSION

This research evaluates the Performance of Sarva Haryana Gramin bank by using 19 different ratios of the camel model. This research concluded that the Performance of Sarva Haryana Gramin Bank in the case of capital adequacy and asset quality was better. The Performance of management efficiency is average, and the bank's earning quality ratio and liquidity ratio performance was not up to grade.

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