

An Analysis on the Performance of Regional Rural Banks: A Study on Sarva Haryana Gramin Bank in India

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ABSTRACT

Regional Rural Banks are an asset for the people the rural sector of India. RRB's were primarily set up with an intent of providing rural credit to the rural people for agricultural and other allied activities. Regional Rural Banks were set up after the Presidential Ordinance was passed on 1975, later on replaced to Regional Rural Banks Act, 1976 with an objective to "to develop the rural economy by providing, for the purpose of development of agriculture, trade, commerce, industry and other productive activities, in the rural areas, credit and other facilities, particularly to small and marginal farmers, agricultural labourers, artisans and small entrepreneurs, for matters connected therewith and incidental thereto". Hence, first five Regional Rural Banks were set up in the year 1975. Sarva Haryana Gramin bank got established by amalgamation of Haryana Gramin Bank & Gurgaon Gramin Bank. The study is based on secondary data collected from banks annual report. Key Performance Indicators Analysis has been done taking into account number of branches, deposits, investments, Non-Performing Assets and profitability in the present study.

1. Introduction

Regional Rural banks were formed to serve the rural masses in the rural sector with an objective of providing banking and financial services to the needy farmers, artisans, small scale and cottage industries. Indian Economy depends on the growth and progress of the rural sector, hence infusing money in the rural sector for agriculture and other allied activities will surely help the rural development and also the economic development of India. RRB's came into existence on 2nd Oct 1975, with the first RRB as Prathma Gramin Bank. In the year 1997-98, number of RRB's were 196, out of which 70 RRB's booked losses amounting to INR 230.76 crores. RRB's were consistently incurring losses and their performance was declining. In order to strengthen them, Government of India on the recommendation of Dr Vyas Committee, in the year 2005 initiated consolidation of RRB's. Hence, RRB's got reduced to 56 from 196, however their branches increased to around 20000 covering 642 districts in the year 2015.

Initially, there were two regional Rural Banks in Haryana, Haryana Gramin Bank and Gurgaon Gramin Bank. Haryana Gramin Bank was set up in the year 2005 with the amalgamation of three Regional Rural Banks, they were Haryana Kshetriya Gramin Bank, Hisar Sirsa Kshetriya Gramin Bank, Ambala Kurukshetra Gramin Bank. Haryana Gramin bank had 276 branches covering 16 districts. Gurgaon Gramin Bank was set up in the year 1976, with a network of 231 branches covering 7 districts. In the year 2013, both Haryana Gramin Bank and Gurgaon Gramin Bank got amalgamated to form Sarva Haryana Gramin Bank.

2. Sarva Haryana Gramin Bank

Sarva Haryana Gramin Bank got established with the amalgamation of Haryana Gramin Bank and Gurgaon Gramin Bank in the year 2013. At present, there are 650 branches and operates in all 22 districts in Haryana. The Regional Offices of Sarva Haryana Gramin Bank are located in Ambala,

Bhiwani, Fatehabad, Gurugram, Hisar, Nuh, Palwal, Panipat, Rewari and Rohtak. Head office of the bank is located in Rohtak. The Bank is dedicated to the objective of catering to the banking and financial needs of rural people in order to make them independent and to provide them a safer saving opportunity. They are keen in to achieve their social responsibility of giving special care to the weaker sections of the rural society. They have also achieved heights in becoming the biggest contributor to BPL families in Haryana for executing financial aid under Housing Board Scheme. Bank has been awarded 1st position in the state in formation of Farmers' Club. Bank focusses on expanding its lending activities to the unbanked areas in a hassle-free manner.

3. Objectives of the Study

1. To analyze the key performance indicators of Sarva Gramin Bank in India.
2. To study the growth-pattern of Sarva Gramin Bank in India.
3. To analyse the profitability of Sarva Gramin Bank in India.

4. Research Methodology

The financial performance of the RRBs in India has been analyzed with the help of key performance indicators. The year 2010-2011 was taken as the current year and year 2009-2010 was base year for the calculation of growth rate. Analytical Techniques Employed- Growth rate analysis was undertaken with a view to studying financial performance related to the RRBs. Growth rate is measured with the help of following formula- $\text{Growth Rate} = \frac{Y_t - Y_{t-1}}{Y_{t-1}}$ Y_t = Current Year, y_{t-1} = Base Year

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calculation of growth rate. Analytical Techniques Employed-Growth rate analysis was undertaken with a view to studying financial performance related to the RRBs. Growth rate is measured with the help of following formula-

$$\text{Growth Rate} = \frac{Y_t - Y_{t-1}}{Y_{t-1}} \times 100$$
 Y_t= Current Year, y_{t-1}=Base Year

The study aims to examine the performance of SarvaGraminBank focused on key performance indicators like number of branches, deposits mobilized, credits deposit ratio, net profit, non performing assets and also the investments made by them from the period 2013-14 to 2017-18. The study is based on secondary data collected from the annual reports of SarvaGraminBank annual report. Growth rate is calculated by taking below mentioned formulae-

Growth Rate- Value of Current year – Value of Base Year / Base Year

Branch Expansion

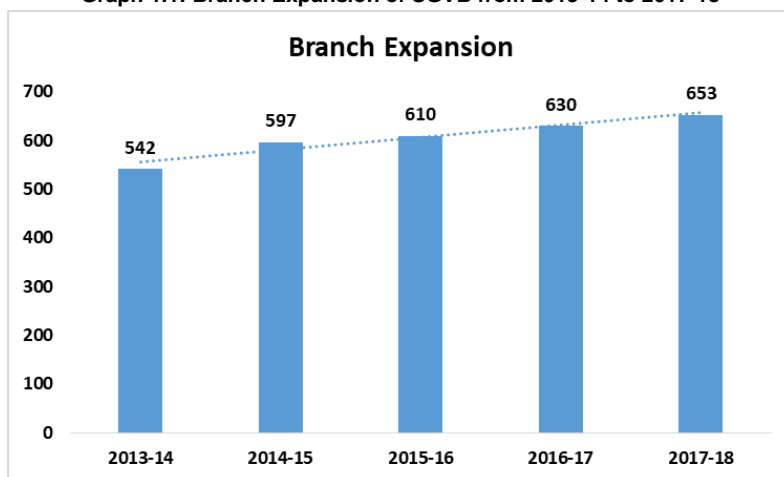
Branch Expansion plays an important role in achieving the social objective of setting up of Regional Rural Banks to provide credit to the rural people for agriculture and allied services. SarvaGramin Bank expanded their banking services during the study period from 2013-14 to 2017-18. Table 1.1 and Graph 1.1 depicts that SarvaGramin Bank are expanded their branches significantly from 542 in the year 2013-14 to 653 in the year 2017-18. There has been a positive growth pattern in terms of branch expansion.

Table 1.1: Branch Expansion of SGVB from 2013-14 to 2017-18

Year	Number of Branches	Growth %
2013-14	542	-
2014-15	597	10.15%
2015-16	610	2.18%
2016-17	630	3.28%
2017-18	653	3.65%

Source: Compiled by researcher from the annual reports of SGVB

Graph 1.1: Branch Expansion of SGVB from 2013-14 to 2017-18



Total Deposits

Total Deposits of SarvaGramin Bank increased significantly from 8709.52 crore in the year 2013-14 to 13556.46 crore in the year 2017-18. In the year 2017-18, growth percent of Total Deposit was 12.68%. Current deposits rose to 219.84 crore in the year 2017-18 from 174.15 crore in

the year 2013-14. Saving Deposits rose to 7227.51 crore in the year 2017-18 from 4673.94 crore in the year 2013-14. Fixed Deposits also rose to 6109.09 crore in the year 2017-18 from 3861.43 crore in the year 2013-14. Overall, there has been a significant growth in the total deposits of Sarva Grameen Bank.

Table 1.2: Total Deposits of SGVB from 2013-14 to 2017-18 (Amount in crores)

Year	Total Deposits	Growth %
2013-14	8709.52	-
2014-15	9193.04	10.15%
2015-16	10123.69	2.18%
2016-17	12030.5	3.28%
2017-18	13556.46	12.68%

Source: Compiled by researcher from the annual reports of SGVB

Graph 1.2: Total Deposits of SGVB from 2013-14 to 2017-18

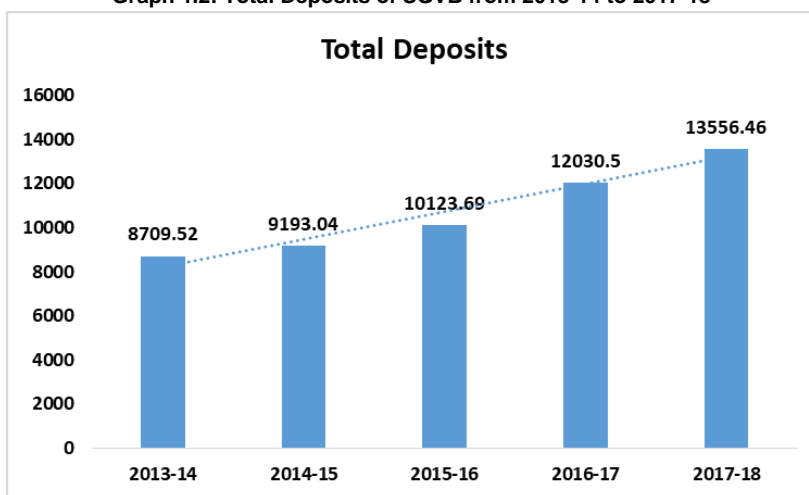


Table 1.3: Deposits of SGVB from 2013-14 to 2017-18 (Amount in crores)

Year	Current Deposits	Saving Deposits	Fixed Deposits	Total Deposits
2013-14	174.15	4673.94	3861.43	8709.52
2014-15	194.88	4821.63	4176.53	9193.04
2015-16	145.98	5126.19	4851.53	10123.69
2016-17	196.73	6649.86	5183.91	12030.5
2017-18	219.84	7227.51	6109.09	13556.44

Source: Compiled by researcher from the annual reports of SGVB

Credit Deposit Ratio

Credit Deposit Ratio of SarvaGramin Bank stood at 64.30% with a growth rate of 2.16%. It can be noticed from the table 1.4 and Graph 1.3, that there has been an increase in

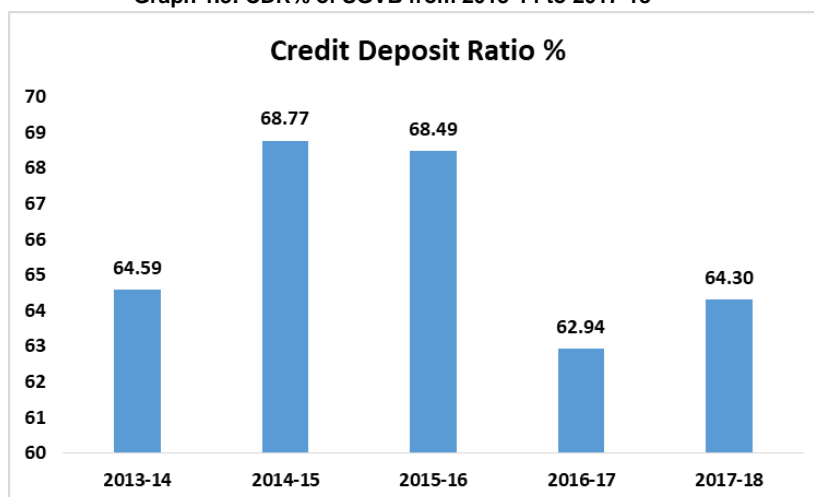
credit deposit ratio in the year 2017-18 as compared to the previous year. However, there has been a slight decline in CD ratio as it reduced to 64.30% in the year 2017-18 from 64.52% in the year 2013-14.

Table 1.4: CDR of SGVB from 2013-14 to 2017-18 (Amount in crores)

Year	Total Credit/Advances	Total Deposits	Credit-Deposit Ratio (%)	Growth %
2013-14	5625.32	8709.52	64.59	-
2014-15	6321.65	9193.04	68.77	6.47%
2015-16	6933.63	10123.69	68.49	-0.41%
2016-17	7572.31	12030.5	62.94	-8.10%
2017-18	8716.49	13556.46	64.30%	2.16%

Source: Compiled by researcher from the annual reports of SGVB

Graph 1.3: CDR% of SGVB from 2013-14 to 2017-18



Investments

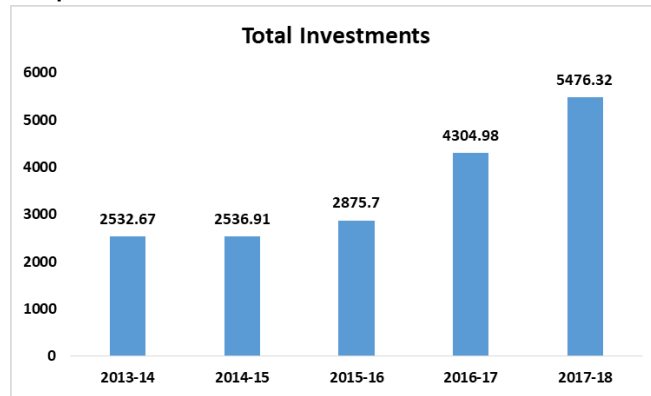
Investments made by the bank has increased significantly from 2532.67 crore in the year 2013-14 to 5476.32 crore in the year 2017-18. Growth rate stood at 27.21% in the year 2017-18 as compared to previous year 2016-17.

Table 1.5: Total Investments of SGVB from 2013-14 to 2017-18 (Amount in crores)

Year	Total Investments	Growth %
2013-14	2532.67	-
2014-15	2536.91	0.17%
2015-16	2875.7	13.35%
2016-17	4304.98	49.70%
2017-18	5476.32	27.21%

Source: Compiled by researcher from the annual reports of SGVB

Graph 1.4: Total Investments of SGVB from 2013-14 to 2017-18



Net NPA's & Gross NPA's

Non Performing Assets plays a crucial role in the performance of a bank. In case of high NPA, profitability and performance of a bank declines. Gross NPA's of SarvaGramin Bank significantly increased to 6.65% in the year 2017-18

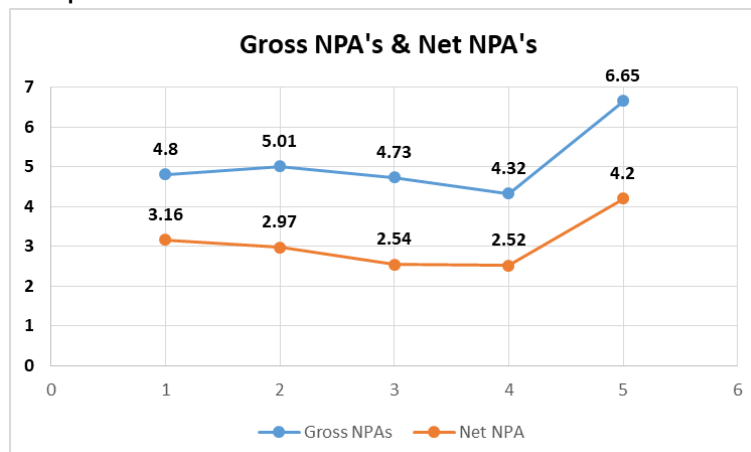
from 4.8% in the year 2013-14 resulting in a growth of 54% as compared to previous year. And Net NPA's rose to 4.2% in the year 2017-18 from 3.16% in the year 2013-14 resulting in a growth of 92% as compared to previous year.

Table 1.6: Gross NPA's & Net NPA's of SGVB from 2013-14 to 2017-18

Year	Gross NPAs	Growth %	Net NPA	Growth %
2013-14	4.8	-	3.16	-
2014-15	5.01	4%	2.97	-6%
2015-16	4.73	-6%	2.54	-9%
2016-17	4.32	-9%	2.52	-16%
2017-18	6.65	54%	4.2	92%

Source: Compiled by researcher from the annual reports of SGVB

Graph 1.5: Gross NPA's & Net NPA's of SGVB from 2013-14 to 2017-18



Net Profit/Loss of SarvaGramin Bank

Profitability/Loss depicts the performance of a Bank. They play a vital role in assessing the performance of a bank. Sarva Grameen Bank earned a net profit of 182.54 crore in the year

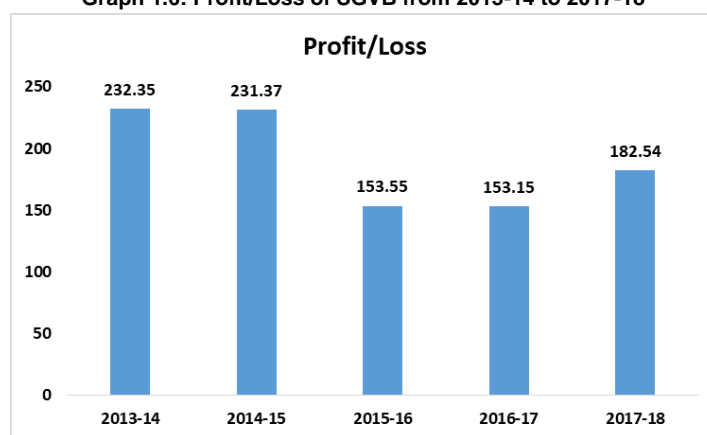
2017-18 resulting in a growth rate of 19.19%. However, profitability has reduced from 232.35 crore in the year 2013-14 to 182.54 crore in the year 2017-18.

Table 1.7: Profit/Loss of SGVB from 2013-14 to 2017-18
(Amount in crores)

Year	Profit/Loss	Growth %
2013-14	232.35	-
2014-15	231.37	-0.42%
2015-16	153.55	-33.63%
2016-17	153.15	-0.26%
2017-18	182.54	19.19%

Source: Compiled by researcher from the annual reports of SGVB

Graph 1.6: Profit/Loss of SGVB from 2013-14 to 2017-18



5. Conclusion

Sarva Grameen Bank came to existence by amalgamation of 2 banks in order to strengthen their functioning, improving their performance and achieving their social objective to develop the rural economy by providing credit for agriculture, trade, artisans and small entrepreneurs etc. They certainly expanding their branches to achieve their objective of reaching the unbanked areas of rural sector and providing them with banking and financial services. During the

study period, their performance in terms of certain parameters like total deposits, investments, profitability and CD ratio has significantly improved which can be noticed. However, their performance slightly declined during the year 2016-17. Major concern for the bank is Non Performing Assets as they have significantly increased during the study period. Bank should take measures to reduce the level of Non-Performing Assets as they are deteriorating the performance of the bank.

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Report

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