
AN EVALUATION OF PROFITABILITY PORTION OF SARVA HARYANA GRAMIN BANK: AN OVERVIEW

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Abstract:

This research paper worked on measuring profitability performance of Sarva Haryana Gramin Bank in Haryana. It is a banking organization being operated in different district in Haryana. It has been created to serve the rural areas with banking and financial services. This research paper aim is that to analyze the profitability performance of SHGB. The study is based on the secondary data which are collected from the head office of SHGB, RBI bulletin, RBI Annual Reports, RBI Trend and Progress of Banking in India and Annual Reports of NABARD. The study has been covered the year from 2013 to 2018. It has used statistical tools like arithmetic mean, Standard Deviation and computed annual growth rate for evaluation of management performance of Bank and in order to analysis the profitability position of SHGB, ratio analysis has been used. The study suggests that the policies adopt by SHGB in rural development. It shall be improved by giving emphasized on total business management.

Key words: Sarva Haryana Gramin Banks, Pofitability analysis, Total Business and credit deposits ratio

1. INTRODUCTION

Banking institution today is the heart of the financial structure of any country whether it is developed or developing. In a developing economy, the role of bank is more challenging than in developed economy. Banking industry which is the main inducement of the economic progress of a country is making special efforts to assist the weaker section to enable them to undertake self-employment venture or to acquire income generating capital assets characteristics. To ameliorate the situation, the Government of India, immediately after gaining political freedom, decided to enlarge the role of institutional credit agencies and correspondingly to reduce the role of the money lender as a source of rural credit.

Haryana Gramin Bank is one of the first five RRBs opened in India on 02nd October, 1975 under Regional Rural Banks Acts, 1976. The Bank is sponsored by Punjab National Bank and it started its functioning on 2nd October, 1975.

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The Haryana Gramin Bank was setup in Haryana state with the objectives to take the banking to rural masses particularly unbanked rural areas to make available institutional credit to weaker sections of the society, to mobilize rural saving and channelize them for supporting productive activities in the rural areas. SHGB comes into existence after amalgamation of two RRBs namely Haryana Gramin Bank (Sponsor by Punjab National Bank) & Gurgaon Gramin Bank (Sponsor by syndicate Bank) vide Notification dated 29.11.2013. Sarva Haryana Gramin Bank operates in all 23 Districts of Haryana State. SHGB is largest Bank in PNB Sponsored RRBs and forming 35.37% of the total business of all 5 RRBs. As on 01.01.2018 SHGB is having 525 branches.

The main objective of Sarva Haryana Gramin Bank is to provide credit and other facilities particularly to small and marginal farmers, agricultural labourers, artisans and small entrepreneurs so as to develop agriculture, trade, commerce, industry and other productive activities in the rural areas. "Banks exist for the people and not the people for the Banks" is the basis of the Sarva Haryana Gramin Bank .

The major objective of the Sarva Haryana Gramin Bank is to mobilize resources from the region and deploy them within the same region, mainly for productive purposes. The major thrust of lending activities of Sarva Haryana Gramin banks is towards providing a productive credit for small and marginal farmers, landless labourers, small traders and rural artisans in such a way that it raises their productivity in the rural sector.

The main function of the Sarva Haryana Gramin Bank is to provide credit and banking facility to the rural people. It also provides some non- banking facility to the rural people. It also provides some non-banking facility to the rural population such as constructing and maintaining godown on their own, supplying agricultural inputs and acquiring agricultural and other equipment for leasing it out, providing assistance in the marketing of agricultural and other products.

2. LITERATURE REVIEW

Varde & Singh (1982) analyzed the overall profitability performance of Regional Rural Banks over a period of three years that is from 1978 to 1980 by selecting a sample of forty RRBs by using interest paid ratio, interest earned ratio, manpower expense ratio, other income ratio, other expense ratio, payment per employee ratio etc. Four RRBs from Southern Regional and four

RRBs from Northern Regional were selected for data analyzing. The study of central and eastern RRBs showed losses in 1978 and financial gain in 1980. For Northern RRBs, the portion of loss on an average basis in 1980 was not so great as compared to 1978. For southern RRBs, financial gain had increased in 1980.

Prabhakara (1990) revealed the financial features of Shri Visakha Gramin Bank (SVGB). The study noticed that the expenditure increased by 108.79 percent in during 1980-83, but the income recorded in during this period by 81.85 percent. It was also concluded that SVGB was not withdrawing funds to the maximum permitted limit through borrowing. The study further suggested that the bank should expand its scope in granting credit. This development may take the form of growing credit vaulting on different types of loans and expanding the target groups.

Joshi (1995) analyzed that the reforming of banking sectors in rural area. He felt that it may not well judged performances only on the basis of profitability; growth rate and he also suggested that the responsibility accounting as a structure of control must be introduced for entrusting and establishing responsibilities for prices. He further concluded that in rural sector, the government should continue to disclose some of its budgetary accountability to the banking system to pick up in name of social banking in which case changing them into workable propositions would be the responsibilities of the rural banks. He also suggested that rural loaning must become an income earning proposition for banks.

Makandar, N.M. (2010) examined the profitability and productivity of RRBs in India. In the brightness of the amalgamation of RRBs in India the essential purpose of this study was to investigate the organization of the representative RRBs in Karnataka state and to analyze the changes in profitability and productivity by comparing between pre and post amalgamation period. The study concluded that the profitability of the representative had not developed as expected but in long run one aspiration that the restructuring of the RRBs in India give positive outcome.

3. OBJECTIVE OF THE STUDY

- (i) To analyze the profitability performance of SHGB.
- (ii) To analyses the productivity of SHGB.
- (iii) To evaluate the progress of Sarva Haryana Gramin Bank
- (iv) To analyze the Performance of Sarva Haryana Gramin Bank in providing Loans and Advances.
- (v) To Study the Recovery Performance of Sarva Haryana Gramin Bank.

4. RESEARCH METHDOLOGY

The present study is based on the secondary data and it has been collected from financial statement compiled by head office of Sarva Haryana Gramin Bank, published and unpublished Report of RBI, National Institution of rural Development (NIRD), annual reports, journals and magazines were referred. For the Profitability Performance of Sarva Haryana Gramin Bank, a moderate study period of five years was considered which commencing form 2013 to 2018. For analyzing the profitability position of SHGB, ratio analysis has been used and interpreting the results, growth rate, average and statistical tools like arithmetic mean, standard deviation, co-efficient of variation has been used.

5. PROFITABILITY ANALYSIS

Profit serves as a yard stick for judging the efficiency of the management. Profit determines the financial position and solvency of the company. Therefore, profit planning is an elementary part of the overall management function. The term profitability refers to a signal of the efficiency with which of the operation of the business is carried on. An unfortunate operational performance may lead to lower profitability. Lower profitability may rise due to lack of control over the expenses. The financial institutions, bankers and other creditors consider profitability ratio as an indicator to take major decisions. In order to analyze the profitability performance of SHGB in Haryana the following ratios have been used.

OPERATING PROFIT TO TOTAL ASSETS

The operating profit to total assets of SHGB is given in table 1.

Table:-1 operating profit to total assets

(Rs. in thousands)

Years	Operating profit	Total Assets	Operating profit/Total Assets (%)
2013	8172997	117717587	6.94
2014	9556027	131748654	7.25
2015	9421808	132161923	7.13
2016	9160883	130275936	7.03
2017	9595970	145507594	6.59
2018	10763051	163699649	6.57

Source: Annual Report of Sarva Haryana Gramin Bank

Table 1 reveals the fact that the operating profit to total assets ratio is in a fluctuating trend. It was varied from 6.57 percent and 7.25 percent during the study period.

NET PROFIT TO TOTAL ASSETS

The net profit to total assets of SHGB is explicated in table 2

Table:-2 Net profit to total assets

(Rs. in thousands)

Years	Net Profit	Total Assets	Net Profit / Total Assets (%)
2013	2156840	117717587	1.83
2014	2323523	131748654	1.76
2015	2313646	132161923	1.75
2016	1535500	130275936	1.18
2017	1531527	145507594	1.05
2018	1825423	163699649	1.12

Source: Annual Report of Sarva Haryana Gramin Bank

From the table 2, it is understood that the ratio of net profit to total assets is ranged between 1.83 percent and 1.05 percent during the study period. It also shows that the net profit to total assets ratio was less than 2.0 percent in all the year.

INTEREST INCOME TO TOTAL ASSETS

The interest income to total assets of SHGB is shown in table 3.

Table:-3 Interest Income to total assets

(Rs. in thousands)

Years	Interest Income	Total Assets	Interest Income /Total Assets (%)
2013	9566312	117717587	8.13
2014	11308183	131748654	8.58
2015	11323403	132161923	8.57
2016	11413321	130275936	8.76
2017	11518181	145507594	7.92
2018	11992902	163699649	7.33

Source: Annual Report of Sarva Haryana Gramin Bank

The table 3 reveals that the interest income of SHGB was Rs. 9566312 thousands in 2013 and Rs. 11992902 thousands in 2018. The ratio of interest income to total assets was 8.13 percent in 2013 and 7.33 percent in 2018 during the study period.

OTHER INCOME TO TOTAL ASSETS

The values of other income as proportion to total assets are presented in table 4

Table:-4 Other Income to total assets

(Rs. in thousands)

Years	Other Income	Total Assets	Other Income/ Total Assets (%)
2013	250559	117717587	0.21
2014	303762	131748654	0.23
2015	305688	132161923	0.23
2016	397162	130275936	0.30
2017	934347	145507594	0.64
2018	1801600	163699649	1.10

Source: Annual Report of Sarva Haryana Gramin Bank

The above table explains the proportion of other income to total assets of SHGB was 0.21 percent in the year 2013 and 1.10 percent in the year 2018. The other income of SHGB was Rs. 250559 thousands in 2013 and Rs. 1801600 thousands in 2018.

TOTAL INCOME TO TOTAL ASSETS

The total income as proportion to total assets is presented in table 5.

Table:-5 Total Income to total assets

(Rs. in thousands)

Years	Total Income	Total Assets	Total Income / Total Assets (%)
2013	9816871	117717587	8.34
2014	11611945	131748654	8.81
2015	11629091	132161923	8.80
2016	11810483	130275936	9.07
2017	12452527	145507594	8.56
2018	13794502	163699649	8.43

Source: Annual Report of Sarva Haryana Gramin Bank

It is observed from the table 5 that the total incomes of SHGB were increased from Rs. 9816871 thousands in 2013 and Rs. 13794502 thousands in 2018. The ratio of total sincome to

total assets was 8.34 percent in the year 2013 and 8.43 percent in the year 2018.

SPREAD INTEREST INCOME TO TOTAL ASSETS

Interest spread means the excess of interest income earned over the interest expended.

Table 6 depicts the spread income of SHGB and the ratio of spread to total assets.

Table:-6 Spread interest income to total assets

(Rs. in thousands)

Years	Interest Spread	Total Assets	Interest Spread/Total Assets (%)
2013	4136939	117717587	3.51
2014	4296865	131748654	3.26
2015	4598469	132161923	3.48
2016	4741601	130275936	3.64
2017	4783537	145507594	3.29
2018	5004353	163699649	3.06

Source: Annual Report of Sarva Haryana Gramin Bank

From the table 6 shows that the spread interest income was Rs. 4136939 thousands in 2013 and Rs. 5004353 thousands in 2018. The ratio of spread interest income to total assets was 3.51 percent in the year 2013 and 3.06 percent in the year 2018.

NET PROFIT TO TOTAL ADVANCES

The net profit to total advances of SHGB is shown in table 7.

Table:-7 Net profit to total advances

(Rs. in thousands)

Years	Net Profit	Advances	Net Profit/ Total Advances (%)
2013	2156840	54532262	3.96
2014	2323523	55296114	4.20
2015	2313646	61886687	3.74
2016	1535500	67774910	2.27
2017	1531527	74323450	2.06
2018	1825423	84936750	2.15

Source: Annual Report of Sarva Haryana Gramin Bank

Table 7 highlights the ratio of net profit to total advances which was 2.15 percent in 2018 and 3.96 percent in 2013. The total advances of SHGB have increased from Rs. 54532262 thousands in 2013 to Rs. 84936750 thousand in 2018.

INTEREST SPREAD TO TOTAL INCOME

The spread to total income of RRBs in India was displayed in table 8.

Table:-8 Interest spread to total income

(Rs. in thousands)

Years	Interest Spread	Total Income	Interest Spread/ Total Income (%)
2013	4136939	9816871	42.14
2014	4296865	11611945	37.00
2015	4598469	11629091	39.54
2016	4741601	11810483	40.15
2017	4783537	12452527	38.41
2018	5004353	13794502	36.28

Source: Annual Report of Sarva Haryana Gramin Bank

Table 8 reveals the interest spread to total income of SHGB. The total income of RRBs has increased from Rs. 9816871 thousands in 2013 to Rs. 13794502 thousands in 2018. The ratio of interest spread to total income has varied between 37.00 percent and 42.14 percent during the research period.

INTEREST SPREAD TO OPERATING PROFIT

Table 9 enumerates the interest spread to operating profit of SHGB.

Table:-9 Interest spread to Operating profit

(Rs. in thousands)

Years	Interest Spread	Operating profit	Interest Spread /Operating profit (%)
2013	4136939	8172997	50.62
2014	4296865	9556027	44.96
2015	4598469	9421808	48.81
2016	4741601	9160883	51.76
2017	4783537	9595970	49.85
2018	5004353	10763051	46.50

Source: Annual Report of Sarva Haryana Gramin Bank

The interest spread to operating profit of SHGB was depicted in the table 9. The interest spread to operating profit increased year by year. The ratio between the interest spread and operating profit has also varied in every year. In the year 2013 the ratio was 50.62 percent and in 2018 the ratio was 46.50 percent.

OPERATING PROFIT TO NET PROFIT

The operating profit to net profit of SHGB is explicated in table 10.

Table:-10 Operating profit to net profit

(Rs. in thousands)

Years	Operating profit	Net Profit	Operating Profit/ Net Profit (%)
2013	8172997	2156840	378.93
2014	9556027	2323523	411.27
2015	9421808	2313646	407.23
2016	9160883	1535500	596.61
2017	9595970	1531527	626.56
2018	10763051	1825423	589.62

Source: Annual Report of Sarva Haryana Gramin Bank

Table 10 shows that the operating profit has increased from Rs. 8172997 thousands in 2013 and Rs. 10763051 thousand in 2018. The ratio of operating profit to net profit was 378.93 percent in 2013 and 589.62 percent in 2018.

INTEREST INCOME TO TOTAL ADVANCES

The interest income to total advance of SHGB is explicated in table 11.

Table:-11 Interest income to total advances

(Rs. in thousands)

Years	Interest Income	Advances	Interest Income / Total Advances (%)
2013	9566312	54532262	17.54
2014	11308183	55296114	20.45
2015	11323403	61886687	18.30
2016	11413321	67774910	16.84
2017	11518181	74323450	15.50
2018	11992902	84936750	14.12

Source: Annual Report of Sarva Haryana Gramin Bank

It is observed from the table 11 that the interest incomes of SHGB were increased from Rs. 9566312 thousands in 2013 to Rs. 11992902 thousands in 2018. The ratio of interest income to total advances was 17.54 percent in the year 2013 and 14.12 percent in the year 2018. The ratio of the interest income to total advances is shows decreasing trend.

TOTAL BUSINESS AND CREDIT DEPOSIT RATIO OF THE SHGB

Total Business and Credit Deposit Ratio of the SHGB was displayed in table 12.

Table:-12 Total Business and Credit Deposit Ratio of the SHGB

(Rs. in thousands)

Year	Advance	Deposits	Total Business	C/D Ratio
2013	54532262	84834274	139366536	64.28
2014	55296114	87095151	142391265	63.49
2015	61886687	91930353	153817040	67.32
2016	67774910	101236947	169011857	66.95
2017	74323450	120305026	194628476	61.78
2018	84936750	135564583	220501333	62.65
Mean	66458362	103494389	169952751	
S.D	11770910	20332500	32001403	
C.V	17.71	19.65	18.83	

Source: Annual Report of Sarva Haryana Gramin Bank

Table 12 highlights the total Business of the bank estimated as the sum of advances and deposits. The total business of SHGB is increased from Rs.13936536 thousands in 2013 to Rs. 22050133 thousands in 2018. Mean values of total business is increased. Credit deposit ratio is one of the parameter to evaluate the performance of a bank. C/D ratio of SHGB rose from 64.28 percent in 2013 to 62.65 percent by the end of March 2018. It shows very fluctuate trend.

6. Performance of Sarva Haryana Gramin Bank

The advance is a crucial component of the business plan of the bank. The SHGB has tried to touch the doors of each and every neglected section of the society. They devote special

attention to the weaker sections and target group in order to enable them to participate in the activities and share the benefits of rural development. Their advances are predominantly confined to the needs of the weaker sections. The SHGB provide short term and medium term loan to the poor.

Table reveals that loans and advances of agricultural and non agricultural sectors of the SHGB have continuously increased during the period under study. During 2013-14, the loans and advances of agriculture and non-agriculture sectors of the SHGB was noted to the tune of Rs. 11722 crores and Rs 14392 crores respectively which has gone to the tune of Rs. 33216 crores and Rs. 25768 crores during 2017-18. The average loans and advances have been revealed to the tune of Rs. 22121 crores and Rs. 19113 crores respectively during the period under study.

Table-13 Outstanding Loans and Advances of Sarva Haryana Gram Banks

(Rs. in crores)

Year	Agriculture Sector	Non-Agriculture Sector	Total
2013-2014	11722 (44.88%)	14392 (55.12%)	26114 (100%)
2014-2015	16710 (55.84%)	16161 (49.16%)	32871 (100%)
2015-2016	21509 (54.16%)	18204 (45.84%)	39713 (100%)
2016-2017	27452 (56.60%)	21042 (43.40%)	48494 (100%)
2017-2018	33216 (56.32%)	25768 (43.68%)	58984 (100%)
Total	110609	95567	206176
Average	22121	19113	41235

Source: Trends and Progress of Banking in India, Reserve Bank of India, Supplement to RBI Bulletin (2013-14 to 2017-18)

7. Recovery Performance

The recovery of loans means realization of loans, scheduled to be repaid by the borrowers. The recovery of loans is a source of funds for future operations. If the recovery is low, the bank

will have to arrange additional funds through deposit mobilization or borrowings for carrying on the existing and potential business. Loans and advances given by a bank are of different maturities, ranging from very short to longer period. The loans sanctioned for different maturities become due in part at different points of time during a year of operation. The banks compute the amount due at a particular point of time for recovery and send demand notices to clients. The amount so demanded is called as demand raised for recovery.

Profitability Performance of Sarva Haryana Gramin Banks in Haryana The most important point for financial institutions that wish up to assume the responsibility of implementing a profit-oriented business will be the accurate identification of market needs and the choice of a strategic position compatible with their own management resources The profit and loss account exhibits an immediate impression about the working of an organization It provides a clear picture whether the organization is earning profit or incurring losses.

8. SUGGESTIONS

- ✓ In order to reduce the administrative expenses and speed up work, all branches of SHGB should be computerized.
- ✓ Modern technologies like core banking, ATM and so on should be introduced to improve the quality of services I all spheres of banking activities.
- ✓ The share capital of the banks must be increased in order to make competitive.
- ✓ For improving operational efficiency, modern technology should be introduced. Computerization will help in reducing unproductive and costly operations.
- ✓ The bank should take necessary steps to increase the non-interest income, by way of collection of cheques and bills, locker facilities, giving guarantees and so on.
- ✓ SHGB should prepare a model scheme for granting loans.
- ✓ There is an urgent need for established of “Research Cell” at the level of head office for continuous planning, research and development.

9. CONCLUSION

In the basis of finding the profitability performance ratio of SHGB in Haryana is calculated. All the economic variables of profitability are taken in to accounts which influence the profit of SHGB. The suggestions offered would enable the SHGB to take necessary steps to improve its financial performance which will also improve the profitability of the SHGB.

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