International Research Journal of Management and Commerce
ISSN: (2348-9766)
Impact Factor 5.564 Volume 8, Issue 7, July 2021
©Association of Academic Researchers and Faculties (AARF)
www.aarf.asia, **Email** : editoraarf@gmail.com

STUDY OF FINANCIAL PERFORMANCE OF HIMACHAL GRAMIN BANK

DR. BALDEV SINGH
ASSOCIATE PROFESSOR,
DEPARTMENT OF COMMERCE,
SRI GURU GOBIND SINGH COLLEGE OF COMMERCE,
UNIVERSITY OF DELHI.

DR. RAKESH KUMAR
ASSOCIATE PROFESSOR,
DEPARTMENT OF COMMERCE,
SHAHEED BHAGAT SINGH COLLEGE (M),
UNIVERSITY OF DELHI.

Abstract

This paper addresses the concerns the performance of Himachal Pradesh Gramin Banks, It covers study about efficiency of regional rural banks on the basis of different ratio analysis, to understand the profitability of these banks. To sum up, the current financial position of Himachal Gramin Bank does not pose any problem for meeting its current obligations of the rural peoples. These ratios and need careful study to control these and utilize surplus funds for interest or income earning purposes of banks performance. In this study, an attempt has been made to study the financial performance of Himachal Gramin Bank to high light its achievement for a period of 10 years from 2011 to 2021. The Liquidity ratios, Capital structure ratios and profitability ratios have been calculated from its Annual Reports with the help of SPSS. The performance of this bank with the help of ratio analysis the efficiency of last ten years has been studied.

Keyword's: CR, NP, RRBs, Gramin Banks, Himachal Pradesh, Punjab National Banks

JEL Classification:C12, C14, C25, C44, C81, G21, and P 42

Introduction

In emerging economies, banks plays very dominant role in financial intermediaries, along with carrying additional responsibility for attaining sound economic position in the society. This inevitable relationship between banking and economic development the growth of the overall economy is naturally related to the sound banking system. The main focus on proper monitoring and performance evaluation of banks, as this can impact their overall efficiency, productivity, performance and profit. World over, profitability in the banking sector is growing and higher profitability influence the price of loans and interest rates, which in the returns affects the confidence of the investors, lenders and depositors equally. While higher interest rates will directly impact the investors in need of loans for the creation of infrastructural and industrial projects, it also causes poor recovery of funds, which will affect the credit creation and revenue stream of the banks. The liquidity ratios indicate the short term solvency of any organisation , the leverage / capital structure ratios provide an insight about the long term financial solvency of organisation and profitability ratios indicates the overall performance of the banking and sound position of economic growth. The average current ratio of this bank has been conducted during the period from 2011-12 to 2020-21 with the standard deviation has been calculated showing degree of variation in its current ratios during this period. The current ratios varied from minimum to maximum during 2011-12-2020-21.To maintain higher amount of cash in order to meet the cash requirements of its depositors. The average debt equity ratio for this period has been computed along with standard deviation. This ratio measures the relationship between total liabilities and shareholders' equity. Its total liabilities as compared to its equity funds have been decreased steeply during this period. The interest coverage ratios of this bank have been calculated to know fluctuation during the period from 2011-12 to 2020-21with marginal increase/decrease during this period. It highlights that the long –term financial position of this bank is satisfactory as its earnings before interest and tax (EBIT) has been quite high during this period and it can meet its interest obligations without any difficulty. This indicates the degree of variation in this ratio during this period has been moderate. The average dividend coverage ratio also indicates that it has been paying very small proportion of its profit as dividend and retains the balance of profit in its reserves. In the year 2017-20 the dividend pay-out ratio is nil which shows that bank has followed the policy of ploughing back of profits in spite of declaring dividend. There has been marked fluctuation in its operating expenses during the period 2011-12 to 2020-21 as is clear from its operating expenses ratios during this period. No doubt, its operating expenses increased sleepily from 2011-12 to 2020-21.The operating ratios was 45.23 % in 2011-12 and increased 55.70 % in 2018-19. There has been significant reduction in the proportion of operating expenses after 205-16. The average operating expenses ratio for these ten years has been calculated with the standard deviation. There has been wide fluctuation in its net profit ratios during this period. No doubt, its net profit ratios are very low even in it there is significant variation. The net profit to net worth ratios of the bank for the periods from 2011-12 to 2020-21 have been computed.

Literature

Reserve Bank of India(2005)[i] in an article reviewed the performance of private corporate business sector during and over the quarters of the first half of 2004-05 based on abridged mandated/audited financial results of public limited companies. The performance of the bank resulted in to increases in sales and profits, despite a moderate increase in interest payments during first half of 2004-05. Profitability in terms of profit margin on sales and return on sales recovered high in the paid up capital (PUC) sizes class Rs. 25 crore and above. Interest burden was lighter than that in the corresponding period of the previous year. The nongovernment financial companies recorded improvements in income from operations and profit after tad during the over the quarters of first half of 2004-05.

Reserve Bank of India(2005)[ii] has presented a comparative position of international liabilities and assets of banks in India collected under Location Banking Statistics (LBS) and consolidated international claims under Consolidated Banking Statistics (CBS) as per the reporting system of the Bank for International Settlements (BIS) for the quarter evoked September 2004 along with the data as at the end of the previous quarter and a year ago. The international abilities/assets, based on location banking statistics have been presented by instrument, country and sector of borrower currency and country of incorporation of reporting bank and the consolidation international claims, based on consolidated Banking Statistics, according to country and sector of borrower and residual maternity. Besides, a broad comparison of international/foreign claims of Bank for International Settlements reporting banks vis-à-vis Indian at the end of September 2003 & 2004 has also been presented. Interest should be less than 8%**.** Covers two types risks (a) credit risk (b) market risk.

Reserve Bank of India (2010)[iii]pointed out that total number of Regional Rural Banks stands 82 as at the end march 2010 following the process of their amalgamation initiated by the government in 2005. It pointed out that in order to strengthen and consolidate Regional Rural Banks, the Central Government in 2005 initiated the process of amalgamation of Regional Rural Banks in a phased manner. Consequently the total number of Regional Rural banks has reduced from 196 in 2005 to 82 as on March 31, 2010 to implement of Core banking solutions (CBS) and improve the financial position of Regional Rural Banks and suggest road map to bring their capital to Risk –Weighted Risk Assets Ratio (CRAR) to 9 percent.

Mukherjee (1966)[1]concluded in his study that credit needs of the rural poor and Regional Rural Banks should be guided by adopting standard banking principles in order to operate and discharge societal responsibilities placed on them. He was of the opinion that both viability of banking and meeting rural credit needs go hand in hand. He further advocated that Regional Rural Banks should maintain a balance of clientele having both high and low credit worthiness.

Ghoshal, S.N. (1972),[2]discussed the short-term and medium-term credit needs of the farmers. The author felt that despite the existence of cooperative institutions, which were established to make available timely and adequate credit to the farmers, agricultural development continued to suffer lack of credit facilities. He had pointed out that because of the failure of cooperative credit structure; the responsibility had been entrusted to commercial banks for financing this neglected sector.

Pal, B.K. and Mukhopadadhay, K.L. (1973),[3]in their study on agriculture finance in West Bengal had made a joint efforts to assess the credit requirements of the farmers in the state of West Bengal. They hold that no doubt, the cooperative, and government sponsored institutions were suffering for want of funds. The authors recommended suitable institutional changes to bridge the credit –gap which was likely to widen in the coming future. Finally, they suggested that the Reserve Bank of India and other financial institution should amend their working procedure to enable the common agriculturists to get the benefits of agricultural credit in an easy manner.

Sharma, B.P. (1974)[4]in his book 'Role of Commercial Bank in India's Developing Economy' has observed that the financial institutions, particularly, commercial banks have been playing a laudable role in the promotion of the agriculture and in mobilizing rural savings, but even then there remains a lot to be done in this respect. The banks have failed to touch landless labourers, small and marginal farmers which directly indirectly need bank credit facilities.

Malayadri, V. (1976),[5]hadstudied the co-ordination between the Regional Rural Banks and co-operatives. The functioning of the commercial banks in rural areas was marked by high cost structure, as reflected in the increasing expenses to the income ratio of the rural branches of these banks. These observations drove the working group to conceive of the institution which combines the good features of both co-operative and commercial banks. The result of the recommendation to organize rural banks on regional bases. While recommending the formation of the Regional Rural Banks, the working group considered in greater detail whether restructuring and modification of existing credit structure would help to meet the increasing credit demand and came to the conclusion that it may be not yield any appreciable results. The working group felt that the field of rural credit is so vast and its problems so varied and so complex that it is difficult to meet all the credit need of the rural people. In this way the working group endorsed the idea of the government of India of organizing "Farmers Service Societies" (FSS). The linkage of the FSS would be such that the regional rural bank would use FSS as the field alongside their own direct lending where FSS are not yet organized.

Desai, B.M. (1978),[6]hasstudied the performance and problems of rural banking in India. In this paper, he has tried to see the performance of the formal Rural Financing Market (RFM) in India, in aggregate term considering three different aspect of this market, these three aspects are 1) sectorial allocation of credit, sectorial modification of deposts and sectors contribution to national income, 2) rural long term credit structure, extend of financial independence, default rate and the distribution of rural credit and, 3) purchasing power of rural credit and the distribution of benefits arising from the concessional lending rates among different sized farms. The study revealed that the basic problem of providing financial services to the rural sector lies inappropriate methods of credit disbursement and those of mobilization of saving. This has resulted from a) inadequate appreciation of the nature of rural demand of financial services, b) excessive emphasis on the supply oriented concessional lending policies and c) a relative neglect of the duel character of the rural financial market, in which formal and informal segment co-exist. There is lack of varieties in the financial and debt instruments that are presently used. And the existing instruments do not match well with the nature of financial services and needs of the rural households.

Varde and Singh (1978)[7] made a study to analyse a overall profitability performance a Regional Rural Banks s during three years 1978 to 1980 by selecting a sample of 40 Regional Rural Banks which as on December 1978 were at least 2 years old. They used indicators, namely interest earned ratio, and interest paid ratio, manpower expenses ratio, other expenses ratio, other income ratio, and payout per employee ratio, volume of business per employee, profitability, spread ratio and burden ratio. In general the overall profitability performance of Regional Rural Banks in the sample was found to have improved over the years 1978 to 1980. In order to analyse the inter- regional differences of the performance of Regional Rural Banks were divided into i.e. Eastern Regional Rural Bank, northern region, central region and southern region. On the basis of the their average performance in each region, the study revealed that eastern and central regions Regional Rural Banks which were on average showing losses in 1978 were showing profit 1980. On the other hand, in the case of northern region Regional Rural Banks, the quantum of loss on average in 1980 was much less as compared to that in 1978. For southern region Regional Rural Banks the quantum of profit increased during this period.

Padhey, Kishore C. (1980),[8]in their book Commercial Banks and Rural Development, have presented an account of the banking system in our country and their role in rural development. They hold that the commercial banks have been playing a pivotal role to improve upon the socio-economic plight of rural masses and that’s why they are called development agents or change agents.

Sharma, R.D. (1980),[9]in his work on ‘Agricultural Financing in India – Role of State Bank of India,’ conducted an empirical study to evaluate the role of State Bank of India in the agricultural development. The author opines that State Bank of India being a prestigious public sector bank and having a wide network of branches has been playing an appreciable role in the development of agriculture.

Basu, S.K., (1980),[10]in his study entitled ‘Commercial Banks and Agriculture Credit’ after examining the operational aspects of existing banking schemes at the grass root level, have made an attempt to access the contribution of commercial banks in the development of

.

agriculture. Some important questions pertaining to agricultural credit like, whether the farmer community has been getting adequate financial facilities from the commercial banks or not, and how the commercial banks advance money etc. have been raised by the authors? They feel since nationalization though the commercial banks have done a commendable job in developing agriculture yet there is a dire need to have a fresh look on the problem to bring more improvements in the future plans.

Rao, V.G. and Malya, Paramjit (1980),[11]in their book on the role of commercial banks in agricultural development after examining the operational aspects of existing banking schemes at the grass root level, have made an attempt to access the contribution of commercial banks in the development of agriculture. Some important questions pertaining to agricultural credit like, whether the farmer community has been getting adequate financial facilities from the commercial banks or not?and how the commercial banks advance money etc. have been raised by the authors? They feel since nationalization though the commercial banks have done a commendable job in developing agriculture yet, there is a dire need to have a fresh look on the problem to bring more improvements in the future plans.

Patel and Shete (1980)[12] analyses the role of the Regional Rural Banks in the rural credit system by examining their performance in terms of deposit mobilization, disbursement of loans and profitability. A comparative study of performance of cooperative and commercial banks operative in the jurisdiction of Regional Rural banks was also made. The study was confined to the period December, 1975 to June, 1979 and was based on the secondary information.

Wadhwa (1980)[13]made a study of Haryana KhetriyaGramin Bank (HKGB) Rewadi and Jaipur Nagar Aanchalik Bank (JNAGB) to study the role of regional rural banks in rural development. The two selected bank were among those five regional rural banks which were set up first of all on 2nd October 1975. The comparative performance of these two banks was also appraised for the two full years 1976 & 1977 on the basis of personal interview from the beneficiaries of these two banks. The study revealed, those in relative terms, the performance of Haryana KhetriyaGramin Bank Banks was not impressive on the front on deposits. The Jaipur Nagar Aanchalik Bank also appeared to be a representative bank in respect of providing loans to small and marginal farmers and agricultural labourers. The General picture that emerged from the study of these two banks was that not all the branches of these banks were set up at location where other credit institutions were not operating. The study further showed that these banks had shown some tangible results in making credit available to weaker section of the rural society. They had deployed more resources locally than deposits mobilized from these areas. Almost the entire credit had been granted directly to the specified sections of the rural society. The author maintained that RRBs could, play a very useful role in moving towards filling a big credit gap that existed within the present institutional structure of rural credit.

In its comprehensive review of the institutional credit set up, the committee on review the arrangements for institutional credit for agriculture and rural development (CRAFICARD) submitted its final report in March, 1981. It found the institutions of Regional Rural Banks are suitable for rural development. The committee therefore recommended that Regional Rural Banks should continue their operation to the weaker sections and the preference should be given to Regional Rural Banks in regard to licensing of branchs on the rural areas. The committee also favoured the transfer of the eligible business of the rural branches of commercial banks of Regional Rural Banks.

Rao and Krishnamurthy (1981)[14] examined the importance of the Regional Rural Banks s on rural development activities by making a study of randomly selected five villages which were served by Sri VishakaGrameen Bank. The study was based on the direct personal investigation. They found that in all the villages small and marginal farmers derived benefits through agricultural loans given by the bank. These loans helped the farmers in purchasing modern agricultural inputs due to which their position improved. The study further revealed that crop loan showed substantial encouragement in terms of recovery while the repayment for the other types of loan was either nominal or nil. In other words, small and marginal farmers repaid loans promptly than the agricultural labourers. In two villages loan given were only crop loans and hence recovery in these villages was quite satisfactory.

Desai, Vansant, (1982),[15] in his book Management of Small Scale Industry have positively presented case for rural industrialization in India. They feel industrialization of rural areas will generate employment opportunities, reduce dependence of agriculture, eradicate poverty and can contribute substantially for the betterment of rural people. They strongly hold the view that industrial development is one of the keys to rural development.

L.K. Naidu and B. VenkataSubaiah(1982)[16] in their study highlights that rural financing is not merely for the development of villages but also for development of the people in all walk of life. The finance rendered by the bank should be utilized in productive and income generating schemes. Otherwise the system of rural economic condition will deteriorate. The researcher further emphasized the continuous follow up by banks at all levels to ensure that the funds are properly used, for which they are made, then only, the regional balanced rural growth is possible.

The positive role to be played by commercial banks for the task of agricultural development has been highlighted by R.K. Narual and O.P. Sharma (1982)[17]in their book Agricultural and Rural Finance by Commercial Banks. The authors opined that without adequate development of agricultural sector it is not possible for the country to be self-sufficient in food grains. The agriculture is to be developed as a profile profession and in such case the commercial banks have an important task to perform.

Tewari, Amitabh (1982),[18]in their study discussed the role of banks in rural development. The study revealed that after nationalization, the number of commercial bank offices has rose from 8262 in June 1969 to 35705 in June 1981, and the average population served per bank offices has declined significantly from 64000 in June 1969 to 19600 in June 1981. The study also pointed out that the share of rural sector in total deposit was 3.1% in June 1969, which has risen to more than 10% in June 1981. The commercial banks have provided finance to more than 2 million small and marginal farmers to the tune of Rs. 322.92 crores. The study also discussed the role of Regional Rural Banks and various programmes of economic development, which includes district credit plan, integrated rural development and Gramodya Scheme. The study includes that in the post nationalization period banks are not only expanding banking facilities in rural sector of the country, but are also taking active interest in the rural development programmes.

Choubey, B.N. (1983),[19]in his study on Agricultural Banking in India offers a detailed description of the various institutions which are actively engaged in the task of financing agriculture. But after reviewing the impact of the institutional credit on agriculture, it has been observed by the author that despite the complexity of institution like cooperatives, commercial banks, Regional Rural Banks, Agricultural Refinance Development Corporations, and National Rural Banks, and Rural Development (NABARD) etc. the agricultural sector still has been suffering for want of adequate funds.

Methodology

3.3 Research Methodology

The research design is a plan according to which observations are made and data is assembled to carry out research work in systematic and meaning full manner.

(1) Hypothesis Formulation

Within the overall framework of above objectives the study seeks to verify during the course of analysis some of the following important tentative hypothesis:

a) that income level of beneficiaries has been increased

b) that there was marked increase in employment in the rural areas

c) That there has been significant increase in the awareness of the people about different financing schemes of this bank.

(2) Collection of Data

For accomplishing the objective of the present study, primary and secondary data has been used

(a) Primary Probe: Primary probe has been carried in following manner:

(i) Development of questionnaire

(ii) In order to study problem and prospectus of Himachal Gramin Bank, primary data has been collected from 80 beneficiaries and 103 bank officials from the different branches of the bank. The information collected from the beneficiaries and bank officials are different. For these purpose two separate questionnaires has been prepared one for beneficiaries and other for bank officials. The efforts have been made to include all possible questions in both the questionnaire to collect all possible information consistent with the objective of research.

The first questionnaire meant for the bank official of this bank, contained the information about contribution made in the opinion of the bank official of this bank in rural development of Himachal Pradesh, infrastructural facilities available to implement its development programme, criteria used to determine the suitability of the project for sanction of loan, difficulties faced in disbursement of loan, security requirements, supervision and monitoring system, mutualisation of credit, wrong identification of beneficiaries and different difficulties faced in different aspects of financing and recovery.

The second questionnaire has been developed to collect the information from the beneficiaries. This questionnaires covered apart from demographic information of the beneficiaries, the amount of loan taken by them, source of loan, awareness of different schemes of the bank, types of securities required for getting loan, time lag for sanction of loan, difficulties faced in sanction of loan, documents requirements, attitude of bank officials, questions related to prepayments and rescheduling of debts and different problems faced by beneficiaries with their suggestions for improvement of working of this bank.

Before finalizing these questionnaires, a pre-test of small number of beneficiaries and bank officials have been conducted to get their suggestions for improving these questionnaire. The suggestion of the bank beneficiaries and bank officials has been incorporated in the final questionnaires.

(iii) Sample selection: After finalizing the questionnaires, the next step was to decide sampling plan to collect information from the beneficiaries and bank officials. In this study two samples have been drawn, first from the bank officials and second from the beneficiaries. The first sample consists of 103 banks officials. The sample consisted officials both from the head office and branch offices. 20 bank officials have been selected conveniently from the head office and remaining 83 officials have been selected from those branches which have been functional from the last ten years. There were 83 branches of this bank which were functioning for the last ten years at the time when survey was conducted. At each branch the senior most officers has been contacted personally to collect the information contained in the questionnaire

In the second sample, efforts have been made to contact 150 beneficiaries, out which only 80 beneficiaries responded to the questionnaire. These beneficiaries have been selected on the basis of convenient sampling method.

(b) Secondary Probe: Apart from primary data, in this study use of secondary data has also been made. The secondary data has been collected from different. These are annual reports of their bank, library research, circulars and notifications of management, state and central government and bulletin of Reserve Bank of India, etc.

3.3 Classification and Tabulation of Data

The data collected has been classified in different types of tables in one or more forms according to the requirement of the study.

3.4 Tools and Techniques of Analysis and Interpretation

The following tools and techniques have been used for the analysis and interpretation of collected data.

(i) Mathematical Tools: In mathematical percentage method has been used.

(ii) Statistical Tools: The following statically tools have been used in the present study:

(a) Factor Analysis
(b) Arithmetic mean
(c) Standard deviation
(d) Co-efficient of variation
(e) Chi- Square Test
(f) t-test

(a) Factor Analysis: factor analysis is a multivariate statistical technique. There is no distinction between independent and dependent variables, In this technique of factor analysis, all variables under investigation are analysed together to extract the underline factors. It is data reduction method to reduce large number of variables into a few manageable factors. These factors explain most part of the original set up data. In factor analysis KMO and Barlett test has been applied which considered a factor to be significant if the value is more 0.5-0.6. The component matrix table with eigen value and communality (h2) have been worked to discuss the relative importance of factor for set of variables considered. It has been used to analyze the contribution and activities of bank in rural development, suitability of project while considering loan application and problems of loan disbursement in the present study.[1]

(b) Arithmetic Mean: The arithmetic mean is quantitative measure in statistical analyses. The arithmetic mean has been calculated with the help of SPSS package 15. The data collected from the officials of the bank was qualitative in nature and the arithmetic mean for the qualitative date cannot be calculated. In order to calculate the arithmetic mean for the following methods has been used to convert it into quantitative data.[2]

The responses strongly agree have been give numerical value equal to 1, Agree equal to 2, Disagree equal to 3, Strongly disagree equal to 4.On the basis of these value of the arithmetic mean has been calculated. The value of arithmetic mean equal to 1 indicates that all respondents strongly agree with the given statement, the Arithmetic mean equal to 2 means on average all the respondents agree with the given statement. The arithmetic mean equal to 3 indicates on average all respondents disagree with the statements. The arithmetic mean equal to 4 indicates all respondents strongly disagree with the statements. The arithmetic mean around 1.5 indicates on average all respondents are evenly divided with strongly agree and agree about the given statement. Similarly arithmetic mean around 2.5 indicates that respondents are evenly divided between agree and disagree about the given statement. In this way arithmetic mean has been interpreted while discussing the perception of the bank officials about the different aspects of the Himachal Gramin banks**.**

(c) Standard Deviation: Standard deviation is the measured of dispersion or variation of given data from its mean it shows average variation from the arithmetic mean. In this study, it has been used to study the degree of variations in the responses of the respondents. The high Standard deviation indicates high degree of variation in the responses of the respondents. The low standard deviation indicates low degree of variation in the responses of the respondents and greater consistency in their responses. The Standard deviation for the qualitative data has been calculated as in the same manner as the arithmetic mean.

(d) Co-efficient of Variation: The Standard deviation is the absolute measure of dispersion and co-efficient of variation is relative measure of dispersion which is independent of the original data. It is pure number, it also measure the degree of variation contained in the responses of the respondents. It is also interpreted in the same manner as Standard deviation.

(e) Chi-Square: The Chi-Square test has been used widely in analysis and interpretation of data in the present study. In this study Chi-Square test has been used as goodness of fit, and Chi-Square test as independence of variables. Chi-Square test for the goodness of fit has been used in respect of the responses of the bank officials in respect of strongly agrees, agree, disagree, and strongly disagree about a particular statement. In applying Chi-Square test it has been assumed that the responses of the bank officials are equally divided among these four responses. Accordingly Chi-Square value is calculated. If Chi-Square value is found insignificant at 1% or 5% level of significance it shows that responses are equally divided among these choices and the differences, if any, is mainly on account of sampling fluctuations and is not significant. On the other hand if Chi-Square value is significant at 1%

or 5 % level of significance. It shows that there is significant difference in the responses of the respondents and their responses are not equally spread over different choices. In the present study Chi-Square value as a goodness of fit has been calculated only for those choices for which respondents has answered. The choices for which no response was given by the respondents have been excluded for the calculation of the Chi-Square value.

The Chi-Square test for the independence of variables has been used for the responses given by the beneficiaries in this test. It has been assumed that its attributes are independent. They are not associated with each other. If Chi-Square value is not significant, it indicates that two attribute are statistical independent. They are not related with each other. On the other hand if Chi-Square value is significant at 1% or 5% level of significance it means two attributes are not statistical independent. They are associated with each other either positively or negatively.

(f) T-test: T-test has been used in ratio analysis to study the difference between the two means of the two ratios on the basis of pre reform period and after reform period. If the t-value is insignificant that means that the average ratio of these two periods does not differ significantly, Difference may be due to sampling functions. On the other hand, if the difference is significant at 1% or 5% level of significance, it indicates the difference between means of these periods is significant.

3.4.1 Ratio Analysis

To study the financial performance of Himachal Gramin Bank for 19 years i.e. from 1990 to 2008, different ratios have been computed from the relevant annual reports of the bank. These ratios are current ratios, acid ratios, Credit Deposit ratios, Net Profit Net Worth ratios, Gross profit Ratios, Interest coverage ratios, Dividend coverage ratios and Total liabilities to equity ratios.[3]

Liquidity Ratio: The liquidity ratios indicate about the short term solvency of any organization. These ratios highlight the short term financial position of an organization and its capacity to pay timely its short obligation. Two liquidity ratios such as current ratios and acid test ratios have been computed from 1990 to 2001 and 2002 to 2008.

Capital Structure Ratio: The leverage /capital structure ratios provide an insight about the long term financial solvency of an organization. The different leverages/capital structure ratios which have been computed for Himachal Gramin Bank are debt equity ratios, total equity ratios, interest coverage ratios and dividend coverage ratios.

Debt Equity Ratio = Long Term Liability/Equity

Total Liability/Equity Ratio = Long Term Liability / Total Equity

Interest Coverage = EBIT/ Interest

Dividend Coverage = EAT/Dividend

Profitability Ratio: The profitability of Himachal Gramin Bank has been studied with the help of gross profit ratios, operating expenses ratios, net profit ratios and net profit to net worth ratios.

Gross Profit Ratio = Gross Profit x 100 / Gross Receipts

Operating Exp. Ratio = Admn. Exp. + Selling Exp. / Net Sales x 100

Net Profit Ratio = Net Profit / Gross Receipts x 100

Net Profit to Net Worth = Net Profit / Fixed Assets

Credit Deposit Ratio: The credit-deposit ratios have been computed to find out the proportion of deposits utilized for providing credit in the rural areas. It indicates the percentage of deposit used for providing credit in rural areas. It is calculated as:

Credit Deposit Ratio = Total Credit / Total Deposit

Results and discussion

1.1 Liquidity Ratios

The liquidity ratios indicate about the short term solvency of any organization. These ratios highlight the short term financial position of an organization and its capacity to pay timely its short obligation. The liquidity ratios such as current ratios have been computed from 2011-12 to 2020-21

Table 1.1
Current Ratios

Year	Current Ratio
2011-12	1.92
2012-13	1.78
2013-14	1.90
2014-15	1.94
2015-16	1.99
2016-17	2.38
2017-18	2.75
2018-19	3.63
2019-20	3.55
2020-21	4.03
Mean	**2.5870**
Std. deviation	**.850**

T-value 1.359; P-value 0.192
Source: Annual Reports of Gramin Bank

The current ratios of Himachal Gramin Bank from 2011-12 to 2020-21have been given in Table 1.1. The average current ratio of this bank has been 2.53 during the period from 2011-12 to 2020-21 with the standard deviation of .850 showing moderate degree of variation in its current ratios during this period. The current ratios varied from minimum 1.74 in 2014 to maximum 4.03 in 2020-21.The current ratios of this bank have been quite high on account the fact that it has to maintain higher amount of cash in order to meet the cash requirements of its depositors. No doubt, there has been marginal increase in its current ratios during these two periods yet, the increase in its current ratios is not significant as “t” value is very small. The t-value is highly insignificant also supports that the difference in the average current ratios of these two period is not significant. Its current financial position seems to be satisfactory. However its current ratios are high and showing rising trend. There is a need that the bank management should take necessary steps to contain this trend and bring it down without adversely affecting the requirements of its current obligations and statutory requirements.

1.2 Leverage/Capital Structure Ratios

The leverage/capital structure ratios provide an insight about the long term financial solvency of organization. The different leverages/capital structure ratios which have been computed for Himachal Gramin Bank are debt equity ratios, total equity ratios, interest coverage ratios and dividend coverage ratios.

1.2.1 Debt-Equity Ratio

Table 1.2

Debt Equity ratio

Year	Debt Equity ratio
2011-12	.47
2012-13	.48
2013-14	.46
2014-15	.42
2015-16	.56
2016-17	.41
2017-18	.34
2018-19	.42
2019-20	.30
2020-21	.31
Mean	**.4170**
Std. deviation	**0.08179**

T-value 2.249; P-value 0.038

Source: Annual Reports of Gramin Bank

The debt equity ratios of this bank 2011-12 to 2020-21 have been presented in Table 1.2. The debt equity ratios of the bank have shown falling trend during the period from 2011-12 to 2020-21.This ratio has been declined significantly from .56 times in 2015-16 to .30 times in 2019-20 showing increase during this period. The average debt equity ratio for this period has been .4170 times with standard deviation of .081 times. It also shows that there has been decrease in its debt as compared to its equity which remains almost constant during this period. It also shows that there has been decline its debts as compared to its equity which remains constant in some years. This shows that the bank is not dependent on external source such as borrowings and deposits from the public and using its own resources. The t values of these periods was 2.249 and has been found significant at 5% level of significance (p. value =0.038). This shows that there has been significant difference in debt- equity ratios of this bank during these two periods. It has been decreased significantly during the period.

1.2.2 Total Liabilities to Equity ratio

Table 1.3
Total Liabilities to Equity ratio

Year	Total Liabilities to Equity ratio
2011-12	4.22
2012-13	4.47
2013-14	4.49
2014-15	4.25
2015-16	4.10
2016-17	3.53
2017-18	3.26
2018-19	3.81
2019-20	3.77
2020-21	3.36
Mean	**3.931**
Std. deviation	**.45042**

T-value 1.829; P-value 0.085
Source: Annual Reports of Gramin Bank

The Total liabilities to shareholders equity ratios for the period from 2011-12 to 2020-21 have given in Table 1.3.This ratio measures the relationship between total liabilities and shareholders' equity. This ratio has shown a decline trend during the period of ten years from 2011-12 to 2020-21. It has been decreased from 4.49 times in 2013-14 to 3.26 times in 2017-18, showing decrease of about 1.23 times during this period. The average total liabilities to equity ratio have been 3.39 times during this period with standard deviation of .45 times showing significant variation during this period. Its total liabilities as compared to its equity funds have been decreased steeply during this period. The t- value for difference in these two averages has been found to 4.84 with p- value 0.001. It reveals that there is a significant difference in the average of this ratio during these two periods. In other words, this ratio has been increased significantly during this period also show that of shareholders’ funds has been declined significantly during this period.

1.2.3 Interest Coverage Ratio

Table 1.4

Interest Coverage Ratios

Year	Interest Coverage Ratios
2011-12	2.83
2012-13	3.81
2013-14	3.71
2014-15	3.73
2015-16	5.65
2016-17	5.13
2017-18	4.83
2018-19	4.56
2019-20	3.21
2020-21	3.77
Mean	**4.1330**
Std. deviation	**.87178**

*T-value -2.147; P-value 0.047***
Source: Annual Reports of Gramin Bank
**Significant at 5% level of significance

The interest coverage ratios of Himachal Gramin Bank for the period from2011-12 to 2020-21 have been given in Table 1.4. The interest coverage ratios of this bank have shown fluctuation during the period from 2011-12 to 2020-21with marginal increase during this period. It highlights that the long –term financial position of this bank is satisfactory as its earnings before interest and tax (EBIT) has been quite high during this period and it can meet its interest obligations without any difficulty. Its average interest coverage ratio during 2011-12 to 2020-21 has been 4.13 times with minimum 2.83 times in 2011-12maximum 5.65 times in 2015-16. The standard deviation being 0.87 times indicate low degree of variation in its earnings before interest and tax (EBIT) and more consistency in its earning during this period. It has also shown a fluctuating rend during this period. The t-value for the difference between means of these two periods has been found to be 2.147 and significant at 5% level of significance. It shows that the average the interest coverage ratios of these two periods vary significantly. In fact interest coverage ratio has been declined in the later period.

1.2.4 Dividend Coverage Ratio

Table 1.5

Dividend Coverage Ratio

Year	Dividend Coverage Ratio
2011-12	20.06
2012-13	20.12
2013-14	20.56
2014-15	20.21
2015-16	20.28
2016-17	20.11
2017-18	Nil
2018-19	Nil
2019-20	Nil
2020-21	17.49
Mean	**19.8329**
Std. deviation	**1.046**

*T-value -4.409; P-value .005**

Source: Annual Reports of Gramin Bank

*Significance at 1% level of significance

The dividend coverage ratios of the period from 2011-12 to 2020-21 have been given in Table 1.5. It is clear from the table that dividend coverage ratios during the period 2011-12 to 2020-21 fluctuated between 20.56 times in 2013-14 to nil in2017-20. The average dividend coverage ratio for this period has been 19.83 times with standard deviation being 1.05. This indicates the degree of variation in this ratio during this period has been moderate. The average dividend coverage ratio also indicates that it has been paying very small proportion of its profit as dividend and retains the balance of profit in its reserves. In the year 2017-20 the dividend pay-out ratio is nil which shows that bank has followed the policy of ploughing back of profits inspite of declaring dividend.The “t” value for the difference between these means is 4.409 and significant at 1 % level of significance. This shows the mean dividend coverage ratio of these two periods very significantly. The Himachal Gramin Bank is following very conservative policy in payment of dividend by retaining large proportion of profit.

To sum up, it is clear from its four leverage/ capital structure ratios that this bank is highly dependent on borrowings and deposits as the proportion of its capital has been declined as is evident from debt equity ratios and total liability to equity ratios. However, its earning is satisfactory. This is clear from interest coverage ratios. It is also ploughing back of its profit which is also clear from dividend coverage ratios.

1.3 Profitability Ratios

The profitability of Himachal Gramin Bank has been studied with the help of gross profit ratios, operating expenses ratios, net profit ratios and net profit to net worth ratios.

1.3.2 Operating Expenses Ratios

Table 1.6

Operating Expenses Ratio

Year	Operating Expenses Ratio
2011-12	45.23
2012-13	48.51
2013-14	52.67
2014-15	49.13
2015-16	47.13
2016-17	47.75
2017-18	50.18
2018-19	55.70
2019-20	52.46
2020-21	53.60
Mean	**50.4270**
Std. deviation	**3.13676**

T-value 1.012; P-value 0.326
Source: Annual Reports of Gramin Bank

The operating expenses ratios for the period from 2011-12 to 2020-21 have been presented in Table 1.6.There has been marked fluctuation in its operating expenses during the period 2011-12 to 2020-21 as is clear from its operating expenses ratios during this period. No doubt, its operating expenses increased sleepily from 2011-12 to 2020-21.The operating ratios was 45.23 % in 2011-12 and increased 55.70 % in 2018-19. There has been significant reduction in the proportion of operating expenses after 205-16. The average operating expenses ratio for these ten years has been 50.43 with the standard deviation being 3.14 %. The difference in the means of operating expenses ratios of these periods has been found to be insignificant as t-value is 1.012 with p-value being 0.326. Thus, an average its operating expenses ratios do not vary significantly during these two periods.

1.3.3 Net Profit Ratio

Table 1.7

Net Profit Ratio

Year	Net Profit Ratio
2011-12	14.36
2012-13	15.94
2013-14	10.49
2014-15	11.17
2015-16	7.74
2016-17	7.25
2017-18	-3.78
2018-19	.48
2019-20	7.74
2020-21	9.94
Mean	**8.1330**
Std. deviation	**5.95675**

T-value 3.686; P-value .002*
Source: Annual Reports of Gramin Bank
*Significant at 1% level of significance

The net profit ratios of Himachal Gramin Bank for the periods from 2011-12 to 2020-21 have been given in Table 1.7. There has been wide fluctuation in its net profit ratios during this period. The net profit ratio varies from minimum -3.78% in 2017-18 to maximum of 15.94 % in 2012-13. The average net profit ratios for this period has been 8.13% with standard deviation of 5.96%.The high standard deviation indicates wide variation in its net profit during this period. No doubt, its net profit ratios are very low even in it there is significant variation. The t-value is 3.686 for the difference between the means of the net profit ratios of these two periods and is significant at 1% level of significance. This shows an average, there is a significant difference in its net profit ratios during these periods.

1.3.4 Net Profit to Net worth Ratios

Table 1.8

Net Profit to Net worth Ratio

Year	Current Ratio
2011-12	.88
2012-13	.97
2013-14	.65
2014-15	.68
2015-16	.46

2016-17	.41
2017-18	-.19
2018-19	.02
2019-20	.38
2020-21	.48
Mean	**.4740**
Std. deviation	**.35660**

T-value 1.670; P-value 0.113
Source: Annual Reports of Gramin Bank

The net profit to net worth ratios of the bank for the periods from 2011-12 to 2020-21 have been given in Table 1.10. The net profit to net worth ratios fluctuated significantly during the period 2011-12 to 2020-21 with minimum being -0.19% in 2017-18 and maximum being .97% in 2012-13. The average rate of the net profit to net worth has been 0.47% during this period with standard deviation being .35%. High standard deviation indicates high amount of variation in this ratio during (2011-12 to 2020-21) these tenyears. To sum up, the gross profit ratio of this bank marginally declined during the study period and operating expenses ratio also marginally declined. The net profit ratio improved during this period. However the net profit to net worth ratios declined marginally during this period.

Conclusion

The average current ratio of this bank has been 2.53 during the period from 2011-12 to 2020-21 with the standard deviation of .850 showing moderate degree of variation in its current ratios during this period. The current ratios varied from minimum 1.74 in 2014 to maximum 4.03 in 2020-21.The current ratios of this bank have been quite high on account the fact that it has to maintain higher amount of cash in order to meet the cash requirements of its depositors. This ratio has been declined significantly from .56 times in 2015-16 to .30 times in 2019-20 showing increase during this period. The average debt equity ratio for this period has been .4170 times with standard deviation of .081 times. This ratio measures the relationship between total liabilities and shareholders’ equity. This ratio has shown a decline trend during the period of ten years from 2011-12 to 2020-21. It has been decreased from 4.49 times in 2013-14 to 3.26 times in 2017-18, showing decrease of about 1.23 times during this period. The average total liabilities to equity ratio have been 3.39 times during this period with standard deviation of .45 times showing significant variation during this period. Its total liabilities as compared to its equity funds have been decreased steeply during this period. The interest coverage ratios of this bank have shown fluctuation during the period from 2011-12 to 2020-21with marginal increase during this period. It highlights that the long –term financial position of this bank is satisfactory as its earnings before interest and tax (EBIT) has been quite high during this period and it can meet its interest obligations without any difficulty. Its average interest coverage ratio during 2011-12 to 2020-21 has been 4.13 times with minimum 2.83 times in 2011-12 maximum 5.65 times in 2015-16. The average dividend coverage ratio for this period has been 19.83 times with standard deviation being 1.05. This indicates the degree of variation in this ratio during this period has been moderate. The average dividend coverage ratio also indicates that it has been paying very small proportion of its profit as dividend and retains the balance of profit in its reserves. In the year 2017-20 the dividend pay-out ratio is nil which shows that bank has followed the policy of ploughing back of profits inspite of declaring dividend. There has been marked fluctuation in its operating expenses during the period 2011-12 to 2020-21 as is clear from its operating expenses ratios during this period. No doubt, its operating expenses increased sleepily from 2011-12 to 2020-21.The operating ratios was 45.23 % in 2011-12 and increased 55.70 % in 2018-19. There has been significant reduction in the proportion of operating expenses after 205-16. The average operating expenses ratio for these ten years has been 50.43 with the standard deviation being 3.14 %. There has been wide fluctuation in its net profit ratios during this period. The net profit ratio varies from minimum -3.78% in 2017-18 to maximum of 15.94 % in 2012-13. The average net profit ratios for this period has been 8.13% with standard deviation of 5.96%.The high standard deviation indicates wide variation in its net profit during this period. No doubt, its net profit ratios are very low even in it there is significant variation. The net profit to net worth ratios of the bank for the periods from 2011-12 to 2020-21 have been given in Table 1.10. The net profit to net worth ratios fluctuated significantly during the period 2011-12 to 2020-21 with minimum being -0.19% in 2017-18 and maximum being .97% in 2012-13. The average rate of the net profit to net worth has been 0.47% during this period with standard deviation being .35%. High standard deviation indicates high amount of variation in this ratio during (2011-12 to 2020-21) these ten years.

Abbreviation

RRB regional rural banks, RBI reserve of India, NP net profit, GP gross profit, CR current ratio

Acknowledgement

The author thank the editor and two anonymous referees of this journal for their valuable comments on this paper

Author's contribution

Entire manuscripts is read and approved by myself

Funding

I am declaring that I have not received any funding for this study

Availability of data and material

Data collected from annual reports of RRBs and RBI website

Competing interests

I am declaring that I don't have competing interest

Author's details

M-104 G.S.Apartment sector 13 Rohini Delhi-110085

References:

I. *Census Report, 2011.*
II. *All India Rural Credit Survey, Vol. II, op. cit., p. 167.*
III. *Reserve Bank of India, Annual Report, 1985-86, p. 70.*
IV. *Report of the All India Rural Credit Review Committee, (Bombay: Reserve Bank of India, 1969), p. 25.*
V. *Seventh Five Year Plan, 1985-90, Vol. II (New Delhi: Planning Commission, Government of India, 1985), p. 113.*
VI. *Report of the Review Committee on Regional Rural Banks, 1978, Reserve Bank of India, p. 40.*www.hp.org.in
VII. www.himachalgraminbank.org
VIII. *Charan D. Wadhwa, Rural Credit Review Committee (Bombay: Reserve Bank of India, 1969), pp. 994-95.*
IX. *Government of India: Report of the Agricultural Finance Sub-Committee, quoted in Charan, D. Wadhwa, Rural Banks for Rural Development, (New Delhi: the Macmillin Company, 1980), p. 1.*
X. *All India Rural Credit Survey, Vol. II, op.cit., Chapter VIII and IX.*
XI. *S.S.M. Desai, Rural Banking in India, (Bombay: Himalaya Publishing House, 1979), p. 286.*
XII. *Government of India, Report of the Banking Commission 1972, pp. 165-68.*
XIII. *Government of India, Report of the Committee on Rural Bank's New Delhi, 1975, p.4, quoted in Charan D. Wadhwa, Rural Banks for Development, op.cit., p. 25.*
XIV. *Report of the Review Committee on Regional Rural Banks, 1978,*
XV. *Reserve Bank of India, p. 40.*
XVI. *Report on Currency and Finance, Vol. I, Economic Review 1979-80*
XVII. *Reserve Bank of India, p. 146.*
XVIII. *Reserve Bank of India, Report of the Committee to review the Assessment for Intuition Credit for Agriculture and Rural Development (CTAFICARD), Jan.1981, Bombay, p. 9.*
XIX. *Report of the working Group on RRB's Government of India, Ministry of Finance, Department of Economic Affairs, New Delhi-1986, p. 114.*
XX. *Annual Report of Himachal Gramin Bank 2011-21*
XXI. *Government of India: Report of the Agricultural Finance Sub-Committee, quoted in Charan, D. Wadhwa, Rural Banks for Rural Development, (New Delhi: The McMillan Company, 1980), p. 1. Government of India: Report of the Agricultural Finance Sub-Committee, quoted in Charan, D. Wadhwa, Rural Banks for Rural Development, (New Delhi: The McMillan Company, 1980), p. 1.*
XXII. *All India Rural Credit Survey, Vol. II, II, op. cit., p. 167. All India Rural Credit Survey, Vol. II, op.cit., Chapter VIII and IX.*
XXIII. *Government of India, Report of the Banking Commission 1972, pp. 165-68.*
XXIV. *Rbi.org.*
XXV. *www.pnb.com.in. Pal, B. K. and Mukhopadhay, K.L., Agriculture Finance in West Bengal, (Calcutta: Calcutta University Press, 1973).*
XXVI. *Sharma, B.P., Role of Commercial Banks in India's Developing Economy, (New Delhi: S. Chand & Company, 1974).*
XXVII. *Malyadri, V., "Co-ordination between the Regional Rural Banks and co-operatives," The Banker, December, 1976, Vol. 33, No.5. pp. 15-18.*

XXVIII. *Desai, B.M., "Rural Banking in India: its Problems," Prajnan, Vol. 7, No. 5, April-June 1978, pp. 112-*

XXIX. *www.pnb.com.in. Pal, B. K. and Mukhopadhay, K.L., Agriculture Finance in West Bengal, (Calcutta: Calcutta University Press, 1973).*

XXX. *Sharma, B.P., Role of Commercial Banks in India's Developing Economy, (New Delhi: S. Chand & Company, 1974).*

XXXI. *Malyadri, V., "Co-ordination between the Regional Rural Banks and co-operatives," The Banker, December, 1976, Vol. 33, No.5. pp. 15-18*

XXXII. *Desai, B.M., "Rural Banking in India: its Problems," Prajnan, Vol. 7, No. 5, April-June 1978, pp. 112- Sharma, R.D., Agricultural financing in India, (Bhagalpur: Bharat Book Depot, 1980)*

XXXIII. *Basu, S.K., Commercial Banks and agricultural credit, (New Delhi: Allied Publishers Pvt. Ltd., 1980).*

XXXIV. *Rao, V.G. and Malya, Paramjit, Role of Commercial Banks in Agricultural Development, (New Delhi: Ashish Publishing House, 1980)*

XXXV. *K.V. Patel, N.B. Shete, "Regional Rural Banks; Performance and Prospects," Prajnan, Jan-March, 1980, Vol., 9 No.1, pp.1-40.*

XXXVI. *Charan D. Wadhwa, Rural Banks for Rural Development (Delhi: The Macmillan Company, 1980), pp. 58-115. K.V. Patel, N.B. Shete, "Regional Rural Banks; Performance and Prospects," Prajnan, Jan-March, 1980, Vol., 9 No.1, pp.1-40.*

XXXVII. *Pal, B. K. and Mukhopadhay, K.L., Agriculture Finance in West Bengal, (Calcutta: Calcutta University Press, 1973).*

XXXVIII. *Sharma, B.P., Role of Commercial Banks in India's Developing Economy, (New Delhi: S. Chand & Company, 1974).*

XXXIX. *Malyadri, V., "Co-ordination between the Regional Rural Banks and co-operatives," The Banker, December, 1976, Vol. 33, No.5. pp. 15-18.*

XL. *Desai, B.M., "Rural Banking in India: its Problems," Prajnan, Vol. 7, No. 5, April-June 1978, pp. 112-131.*

XLI. *Sharma, R.D., Agricultural financing in India, (Bhagalpur: Bharat Book Depot, 1980).*

XLII. *Basu, S.K., Commercial Banks and agricultural credit, (New Delhi: Allied Publishers Pvt. Ltd., 1980).*

XLIII. *Rao, V.G. and Malya, Paramjit, Role of Commercial Banks in Agricultural Development, (New Delhi: Ashish Publishing House, 1980).*

XLIV. *K.V. Patel, N.B. Shete, "Regional Rural Banks; Performance and Prospects," Prajnan, Jan-March, 1980, Vol., 9 No.1, pp.1-40.*

XLV. *Charan D. Wadhwa, Rural Banks for Rural Development (Delhi: The Macmillan Company, 1980), pp. 58-115.*

XLVI. *Rao, E. Nagabhushan, and Krishnamurthly, B. "Five Years of RRB's – A Study," Kurukshetra, Vol. 8, Jan. 16, 1981, pp. 17-19.*

XLVII. *Desai, Vasant, Management of Small Scale Industry, (Bombay: Himalya Publishing House, 1982).*

XLVIII. *Naidu, L.K. and Venkatsubaiah, B. "Role of Banks in Rural Development," Publishing in Bank Finance for Rural Development, (New Delhi: Ashish Publishing House, 1982).*

XLIX. *Government of India: Report of the Agricultural Finance Sub-Committee, quoted in Charan D. Wadhwa, Rural Banks for Rural Development (New Delhi: McMillan Company, 1980), p. 1.*

L. *Reserve Bank of India, Report of the Committee to review the Assessment for Institution Credit for Agriculture and Rural Development, Jan. 1981, Bombay, p. 9.*

LI. *All India Rural Credit Survey, Vol. II, Chapter VIII and IX.*

LII. *Seventh Five Year Plan, 1985-90, Vol. I (New Delhi: Planning Commission, Government of India, 1985), p. 13.*

LIII. *Deepak Chawla and NeenaSondhi, Research Methodology – Concepts and Cases, Vikas Publishing House Pvt. Ltd., New Delhi, pp. 489-501*

LIV. *S.P. Gupta, Statistical Methods, Sultan Chand & Sons, Educational Publishers, New Delhi.*