

A RESEARCH ON PROFITABILITY PERFORMANCE OF UTTARAKHAND GRAMIN BANK

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ABSTRACT

Uttarakhand Gramin Bank is a regional rural bank in India. Regional Rural Banks (RRBs) are Indian Scheduled Commercial Banks (Government Banks) operating at regional level in different states of India. They have been created with a view of serving primarily the rural areas of India with basic banking and financial services. However, RRBs may have branches set up for urban operations and their areas. The area of operation of RRBs is limited to the area as notified by Government of India covering one or more districts in the State. RRBs also perform a variety of different functions.

The share capital of the bank is Rs. 4,214.87 lacs as on 31.03.2018 contributed by the Central Government, State Government and Sponsor Bank in the ratio 50:15:35 respectively. 'Deposit of bank have increased from 4,13,05,588 thousand in 2016-17 to 4,53,98,419 thousand in 2017-18 and advances of bank have increased from 1,98,15,506 thousand in 2016-17 to 2,12,65,162 thousand in 2017-18.'¹ 'Credit Deposit ratio decreased from 47.98 % in 2016-17 to 46.84% in 2017-18.'²

Present paper is a modest attempt to analyze the operational efficiency of Uttarakhand Gramin Bank in the light of their original objectives. The study is primarily based on secondary data. The data was collected for a period of five years and analyzed by trend lines and Correlation. The hypothesis i.e there is significant correlation between GNPA and Net Profit of Uttarakhand Gramin Bank during the study period has been tested and the result is that there is significant correlation between GNPA and Net Profit of Uttarakhand Gramin Bank during the study period.

KEYWORDS: Uttarakhand Gramin Bank, Profit, GNPA, C.D. Ratio, Deposit.

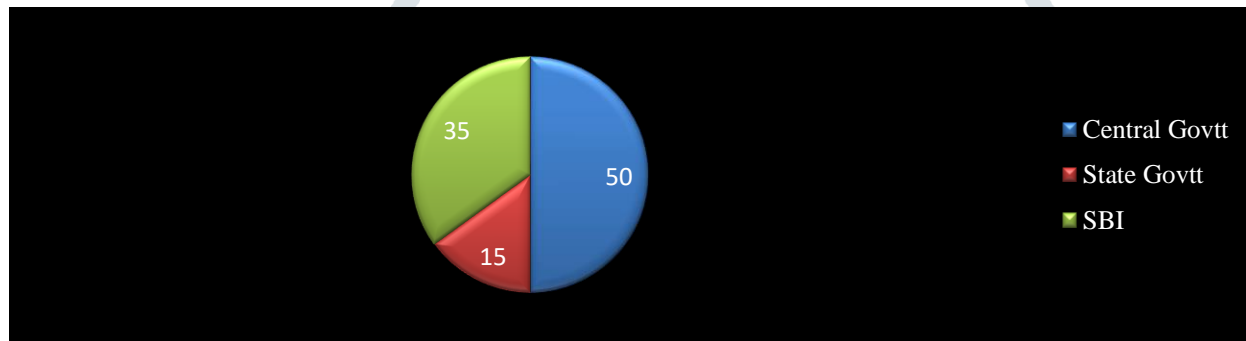
1. Uttarakhand Gramin Bank, annual report VIth 2017-18, pp. 40-41.
2. Uttarakhand Gramin Bank, annual report VIth 2017-18, pp. 36-37.

INTRODUCTION

Uttarakhand Gramin Bank is sponsored by State Bank of India established under RRB Act 1976 came into existence on 1st Nov 2012 after amalgamation of erstwhile RRB viz. Uttaranachal Gramin Bank and Nainital Almora Kshetriya Gramin Bank in Uttarakhand State. The Bank headquartered is at Dehradun and presently its area of operation is in all 13 districts in Uttarakhand having 286 branches, 11 satellite offices, 2 extension counters, 4 regional offices.

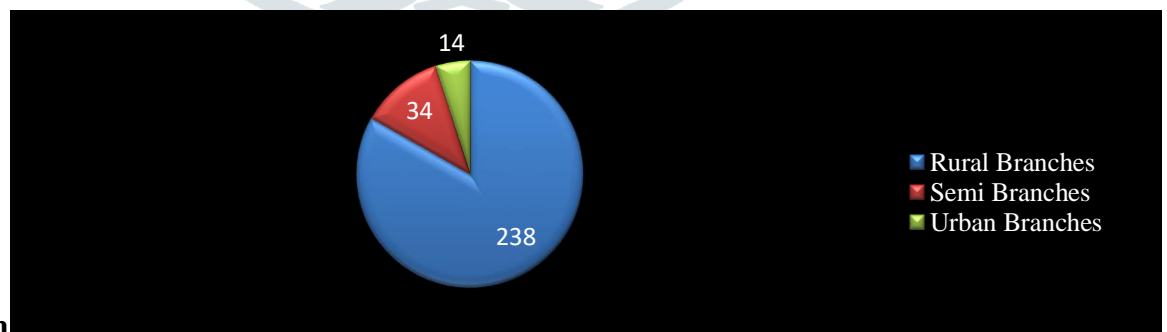
The Regional Rural Banks were owned by the Central Government, the State Government and the Sponsor Bank (Any commercial bank can sponsor the regional rural banks) who held shares in the ratios as follows Central Government – 50%, State Government – 15% and Sponsor Banks – 35%.

Uttarakhand Gramin Bank's Profile



Branch Expansion

Uttarakhand Gramin Bank is the second largest bank of Uttarakhand in terms of Branch Network. The area of operation of the bank is spread with a network of 286 branches covering all 13 districts. Being the area of operation of the bank as rural having this population density, it has 238 rural branches, 34 semi-branches & 14 urban category branches.

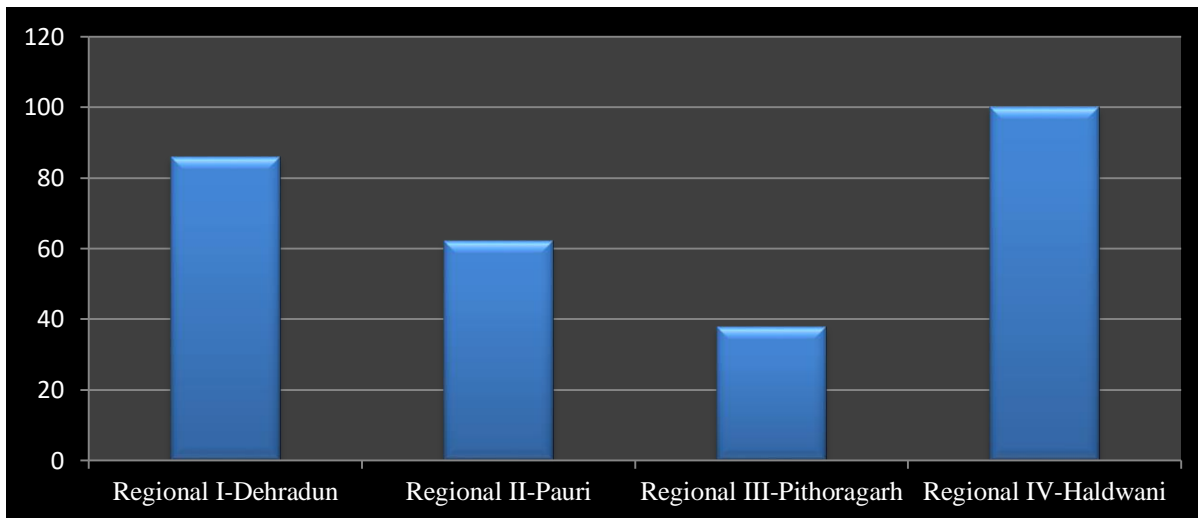


Branch Expansion

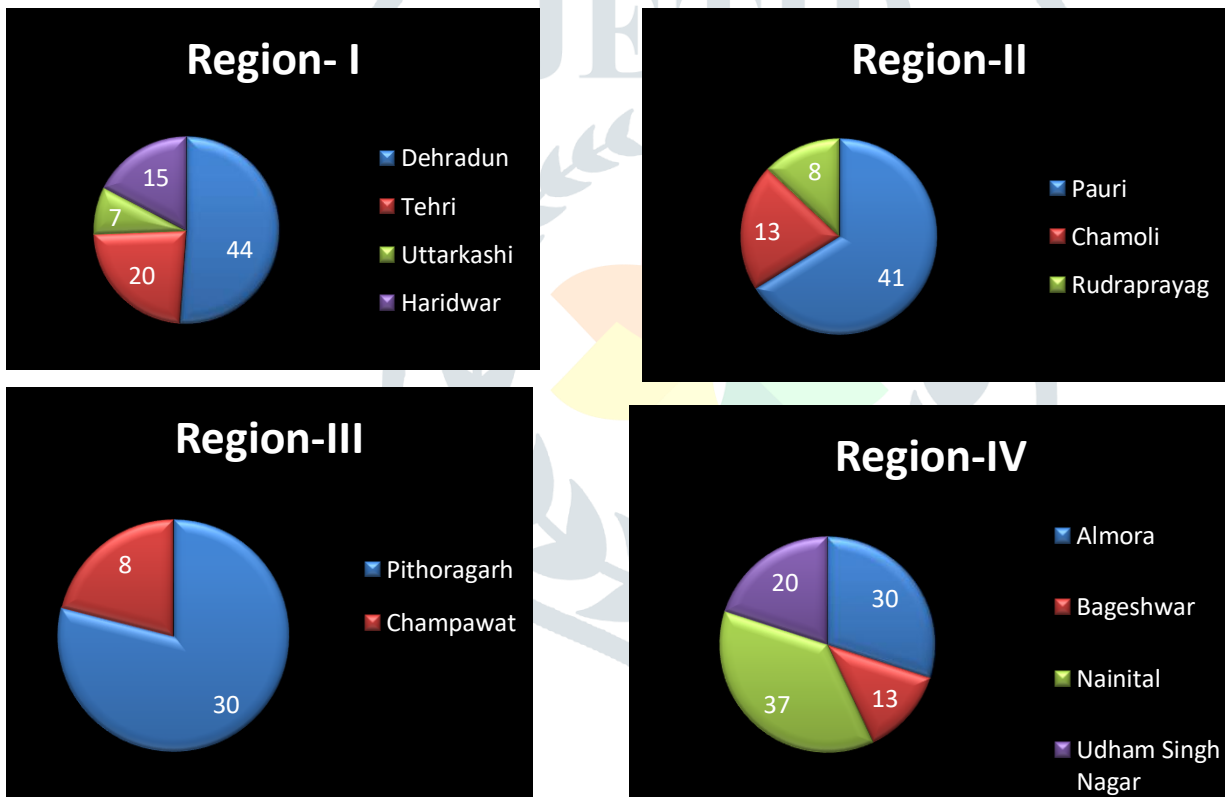
Region wise branch network

Uttarakhand Gramin Bank is providing services to its customers through its extended network of 4 Regional offices, 286 branches, 11 satellite offices and 2 extension counters.

Region wise branch network of Uttarakhand Gramin Bank



District wise branch network



OBJECTIVES OF THE STUDY

- To analyze the growth and performance of Uttarakhand Gramin Bank.
- To understand the relationship between GNPA and Net Profit in Uttarakhand Gramin Bank.
- To make important suggestions to improve the efficiency of Uttarakhand Gramin Bank.

HYPOTHESIS OF THE STUDY

H0: There is no significant correlation between GNPA and Net Profit of Uttarakhand Gramin Bank for last 5 years.

H1: There is significant correlation between GNPA and Net Profit of Uttarakhand Gramin Bank for last 5 years.

REVIEW OF LITERATURE

Patel Taral & Shah Nisarg (2016), in their study on 'A Study On Performance Evaluation Of RRBs Of India' analyzed financial performance of RRBs at post and pre amalgamation scenario measuring based on the spread ratio, burden ratio and profitability ratio. They found that financial indicators such as no. of RRBs branches, district coverage, deposits and advances have shown growth but it is not significant growth. They also found that there is no significance difference between pre- amalgamation and post-amalgamation period of operating ratio.

Geetha R. S. (2016), in her study on 'Performance Evaluation of Regional Rural Banks with Reference to Krishna Pragathi Gramina Bank, Shimogga District' studied the financial performance of Regional Rural banks in Shivamogga Distric. The study found that the performance of bank in Shivamoga District branches has significantly improved.

Kumar Satish, Goyal Vibhor and Sharma Poonam (2018), in their study on 'Performance Evaluation of Regional Rural Banks (RRBs) in India' analyzed the present trends of regional rural banks in the national perspective. They found that the performance of Regional Rural Banks in India has drastically improved from the period of its establishment, as steps for their improvement were initiated by the Government of India after the amalgamation process.

RESEARCH METHODOLOGY

The present study is quantitative and analytical based upon secondary data. In this study purposive sampling method is used to select the bank. The period of coverage for the study is the last 5 years i.e. 2013-14 to 2017-18. Secondary data has been collected through relevant sources like SLBC agenda books Uttarakhand, annual reports of the bank. Ratio analysis, average, tabulation, trend lines and Correlation were applied for testing the hypotheses.

Financial Performance of Bank**Loan and Advances by Uttarakhand Gramin Bank**

Activity Wise Outstanding Advances				(Amt. in Thousands)	
Sl_No	Particulars	31-03-2017		31-03-2018	
		A/C	Amount	A/C	Amount
1	Crop Loan	53,772	31,12,576	51,810	31,09,262
2	Agri. Term Loan	13,470	11,82,595	12,385	10,48,573
3	Small Scale Industries	7,757	13,56,199	7,234	13,17,016
4	Small Business Finance	20,495	48,96,014	19,451	47,02,388
5	D.L. & Others	28,719	92,68,122	28,759	1,10,87,923
	Total	1,24,213	1,98,15,506	1,19,639	2,12,65,162
Out of Which					
I	Advances to priority sector	1,03,990	1,42,71,248	98,937	1,40,06,928
II	Advances to S.C/S.T	33,794	26,22,554	27,601	27,15,561
III	Advances to Minorities	3,987	4,78,856	4,092	5,14,617
IV	Advances to Small & Marginal Farmers	52,020	24,08,782	61,070	29,73,703
V	Advances to I.R.D.P./S.G.S.Y.	4,454	1,36,362	4,115	1,22,385
VI	Advances to S.C.P.	835	14,159	920	16,003
VII	Advances to N.T.G.	20,223	55,44,258	20,702	72,58,234
VIII	C.D. Ratio	-	47.97%		46.84%

(Source- Uttarakhand Gramin Bank Annual Report 2016-17 to 2017-18)

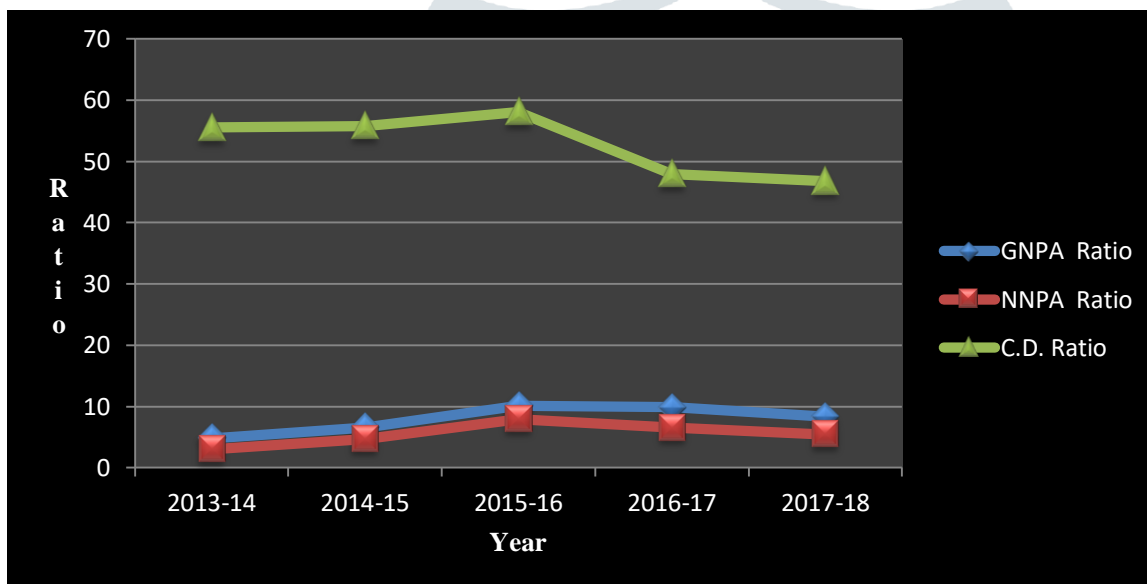
On the above table, it is evident that under Agri. term loan bank has sanctioned Rs. 11,82,595 thousand in 2016-17 it decreased to Rs. 10,48,573 thousand in 2017-18 and Small Business Finance bank has sanctioned Rs. 48,96,014 thousand in 2016-17 it decreased to Rs. 47,02,388 thousand in 2017-18.

It also reveals that Advances to priority sector Rs. 1,42,71,248 thousand in 2016-17 it decreased to Rs. 1,40,06,928 thousand in 2017-18 and Advances to Small & Marginal Farmers Rs. 24,08,782 thousand in 2016-17 it increased to Rs. 29,73,703 thousand in 2017-18. C.D. ratio for the year 2016-17 is 47.97% which decreased to 46.84% in 2017-18.

GNPA, NNPA & C.D. Ratio in Uttarakhand Gramin Bank

Year	GNPA Ratio	NNPA Ratio	C.D. Ratio
2013-14	4.84	3.06	55.53
2014-15	6.6	4.7	55.79
2015-16	10.15	7.94	58.08
2016-17	9.87	6.55	47.97
2017-18	8.33	5.47	46.84

(Source- Uttarakhand Gramin Bank Annual Reports)

GNPA, NNPA & C.D. Ratio in Uttarakhand Gramin Bank

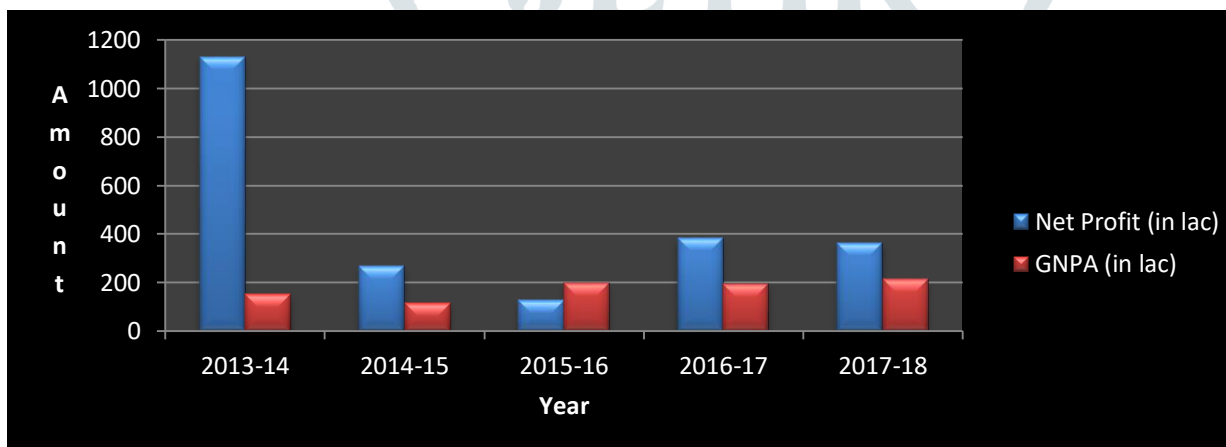
Above table shows the trend of Gross NPA, Net NPA ratio and C.D. ratio of Uttarakhand Gramin Bank. Gross NPA ratio for the year 2013-14 is 4.84% which increased to 10.15% in 2015-16 then decreased to 8.33% in year 2017-18. Net NPA ratio for the year 2013-14 is 3.06% which increased to 7.94% in 2015-16 then decreased to 5.47% in year 2017-18 and C.D. ratio for the year 2013-14 is 55.53% which increased to 58.08% in 2015-16 then decreased to 46.84% in year 2017-18. It reveals that there is a fluctuating trend in Gross NPA, Net NPA and C.D. ratio in Uttarakhand Gramin Bank.

Profit & Gross NPA in Uttarakhand Gramin Bank

Year	Net Profit (in lac)	GNPA (in lac)
2013-14	1129.58	151.53
2014-15	265.24	115.69
2015-16	128.69	197.57
2016-17	384.37	195.53
2017-18	364.57	212.65

(Source- Uttarakhand Gramin Bank Annual Reports)

Net Profit & Gross NPA in Uttarakhand Gramin Bank



Above table shows the trend of Net profit and Gross NPA of Uttarakhand Gramin Bank. Net Profit decreased from Rs. 1,129.58 lacs in 2013-14 to Rs. 128.69 lacs in 2015-16 then increased to Rs. 364.57 lacs in 2017-18. Gross NPA for the year 2013-14 is Rs. 151.53 lacs which decreased to Rs. 115.69 lacs in 2014-15 then increased to Rs. 212.65 lacs in 2017-18. It reveals that there is a fluctuating trend in Gross NPA and Net Profit in Uttarakhand Gramin Bank.

Hypothesis Testing

H0: There is no significant correlation between GNPA and Net Profit of Uttarakhand Gramin Bank for last 5 years.

H1: There is significant correlation between GNPA and Net Profit of Uttarakhand Gramin Bank for last 5 years.

Correlation

	Net Profit	GNPA
Net Profit	1	
GNPA	0.326	1

The correlation is 0.326. The correlation between GNPA and Net Profit is positive for Uttarakhand Gramin Bank. Thus alternative hypothesis is accepted that there is significant correlation between GNPA and Net Profit of Uttarakhand Gramin Bank for last 5 years.

FINDINGS

- More than 50% branches of Uttarakhand Gramin Bank are in rural and unbanked areas.
- There is a fluctuating trend in Gross NPA and Net NPA ratio in Uttarakhand Gramin Bank.
- There is a fluctuating trend in Net Profit in Uttarakhand Gramin Bank.
- There is a fluctuating trend in C.D. ratio in Uttarakhand Gramin Bank.
- The correlation between GNPA and Net Profit is positive for Uttarakhand Gramin Bank.

CONCLUSION

Uttarakhand Gramin Bank has now become an important part of the multi-agency credit delivery system to the agricultural and rural sector. To conclude, the rapid expansion of Uttarakhand Gramin bank has helped in reducing substantially the regional disparities in respect of banking facilities in India. The efforts made by Uttarakhand Gramin Bank in its branch expansion, deposit mobilization, rural development and credit deployment to weaker section of rural areas are appreciable.

SUGGESTIONS

- The government should spread the branches of RRBs to grass root level to provide banking and credit service to the needy people in rural India.
- It is the responsibility of the bank management and the sponsored bank to take the change for corrective majors to raise the credit-deposit ratio of the bank. The gap between C.D. ratios of bank needs to be minimized.
- ATM system should be introduced in all branches. All these will attract more deposit in the bank and ensure quick disposal of transactions.
- Sending bank representatives to different villages before crop season to provide loan and other information.
- They also need to reduce their NPA and focus on customer satisfaction.

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