

**GROWTH PERFORMANCE OF HARYANA GRAMIN BANK WITH SPECIAL REFERENCE TO BRANCH ELLENABAD**

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**ABSTRACT**

The nationalization of 14 major commercial banks in June 1969 did not improve the situation in rural area. So more determined effort was needed to speed up the flow of institutional credit to meet the needs of weaker sections of the rural society. The cooperative movement suffers from a number of weaknesses and inadequacies. Commercial banks flight the funds from the rural to the urban. So there was strong need for the establishment of Regional Rural Banks. Haryana Gramin Bank came into existence on 21<sup>st</sup> December 2005. Objective of this study is to examine the profitability and productivity performance of RRB Ellenabad. The performance of Haryana Gramin Bank can be assessed in terms of growth, profitability, productivity and impact on income and employment. Performance in terms of growth has been analyzed in terms of three broad indicators of banking development i.e. branch expansion, deposit mobilization and credit deployment. Haryana Gramin Bank successfully achieve its objectives like to take banking to door steps of rural households particularly in banking deprived rural area, to generate employment in rural areas and to bring down the cost of purveying credit in rural areas.

**Keywords:** *Rural; growth; banking; productivity*

**INTRODUCTION**

All India rural credit survey report recommended the three tier cooperative credit system, viz. state cooperative bank, district central cooperative bank, and primary cooperative societies, at state, district, and village level respectively.

Thus, the thrust in policy and approach to rural credit till 1955 was mainly on the cooperatives, when the imperial bank of India was converted into the State Bank of India on the recommendation of the All India Rural credit survey report (1954), with opening of 400 branches in rural areas in the next 5 years.

The cooperative credit societies, over a period of time, emerged as the main stay of rural credit structure and made substantial progress in terms of volume loan advanced and territorial coverage. The Primary Agricultural Cooperative Societies cover almost 97 per cent villages till 1976. The share of total borrowings of the rural households had grown from 3 per cent in 1951 to over 25 per cent in 1974. In

mid sixties credit for agriculture sector increases but not significantly, It emphasizes the need to involve the commercial banking system in rural credit.

“Progressive and farsighted commercial banking should ordinarily be able to see the wisdom of stepping in boldly to serve the rural areas with the services

The subsequent nationalization of 14 major commercial banks in June 1969 carried the process further. This approach which has come to be known as “multiagency approach” provides for the commercial banks serving as additional source of credit to the rural poor.

**Presently two RRBs are working in Haryana:**

- 1. Haryana Gramin Bank**
- 2. Gurgaon Gramin Bank**

Haryana Gramin Bank came into existence on 21<sup>st</sup> December 2005 on Implication of Government of India Notification regarding amalgamations of RRB's in one State. Three among the Four RRB's in Haryana were amalgamated these were:

**1. Haryana Kshetriya Gramin Bank:** Established on 02<sup>nd</sup> October 1976, Birth anniversary of Father of Nation Mahatma Gandhi Among the first five RRBs in India.

**2. Hisar Sirsa Kshetriya Gramin Bank:** Established on 02<sup>nd</sup> October 1984.

**3. Ambala Kurukshetra Gramin Bank:** Established on 18<sup>th</sup> January 1985.

Sponsored by Punjab National Bank, The Leading Bank in Indian Banking industry Haryana Gramin Bank is providing the strongest banking network in Haryana. Haryana Gramin Bank presently has 189 branches in 16 districts, with a work force of 744 dedicated employees. The bank is striving hard to provide best banking service in its command area.

Haryana Gramin Bank (**HGB**) completed its fourth financial year after coming into existence with the amalgamation of three erstwhile RRBs viz. Haryana Kshetriya Gramin Bank, H.O. Bhiwani, Hisar – Sirsa Kshetriya Gramin Bank, H.O. Hisar & Ambala – Kurukshetra Gramin Bank, H.O. Ambala City vide Govt. of India notification dated 21.12.2005 under section 21 of the RRB Act 1976 with its Head Office at Rohtak.

The bank has its area of operation in sixteen districts of Haryana namely Sirsa, Hisar, Fatehabad, Rewari, Mohindergarh, Karnal, Yamuna Nagar, Bhiwani, Rohtak, Jhajjar, Jind, Panipat, Ambala, Kurukshetra, Kaithal and Panchkula. District Sirsa has 01 urban, 02 semi-urban and 15 rural branches of Haryana Gramin Bank. Semi-urban Ellenabad branch was established on 3<sup>rd</sup> May 2004 and running in profit.

By giving proper importance to computerization, bank is providing fully computerized banking facility through all its 189 branches. The bank has attained the status of being first RRB in India by launching own ATM cards.

## **Objectives**

To see the said facts and importance of Haryana Gramin Bank in rural area the present study is being undertaken with following specific objectives:

1. To access the growth of RRB's in terms of branch expansion
2. To access the growth of RRB's in terms of deposit mobilization.
3. To access the growth of RRB's in terms of credit deployment.

## **REVIEW OF LITERATURE**

The detailed review has been gone through for critical evaluation of previous research studies and concerned studies reviews are explained as below

**Dantwala committee (1978)** reviewed the working of Regional Rural Banks in the light of objectives for which they set up, to indicate their precise role in the rural credit structure and to make recommendations with regard to their scope, methods and procedures. The main conclusions of the committee based on a study of the working of 12 selected RRBs were that with suitable modifications in their organization and functions, the RRBs could become a very useful component in the totality of rural credit structure.

**Wadhwa (1977)** study two Gramin Banks, Haryana Kshetriya Gramin Bank (Bhiwani) and Anchalink Gramin Bank (Rajasthan), and concluded that RRBs met all the credit requirements of the weaker sections of rural society. Wadhwa suggest few changes to improve working of RRBs viz. change in ownership, strengthening of credit administration, etc. The main shortcomings of the study are that it is limited to two years (1976 & 1977).

**RBI (1980)** studied about RRBs and reported that they had been focused on weaker sections, charge lower rate of interest, open branches in remote rural areas and keep up low cost profile. It covered the RRBs which had completed either a three years period by December 1978 or attained a business of Rs. 3 crores or more. The report has pointed out that there are several factors which can help, such as favorable response from the people, better availability of infrastructure facilities, state government's support, etc.

**CRAFICARD (1981)** concluded that RRBs would come to have an increasingly important role as an integral element of the multiagency system at the ground level. Subsidization is not unique for RRBs as cooperative societies and commercial banks are also stand on funds at concessional rates. The committee was of the view that these are not unique for RRBs as neither the cooperatives which have been in the field for long nor the specialized branches of commercial banks have been able to operate without subsidies or concessional rates in one form or the other.

**Varde and Singh (1982)** done a study on "Profitability Performance of RRBs" and analyzed the profitability performance of at least 2 years old RRBs. The study concluded that profitability performance of all RRBs had improved over the three year period from 1978 to 1980. They found the

decline in manpower and other expense ratio as largely responsible for improvement in profitability ratio.

**Agriculture Finance Corporation (1986)** studied two Gramin Banks, namely Malaprabha Gramin Bank Dharwar (Karnataka) and Royal Geema Bank (Andhra Pradesh) include improvement in infrastructure facilities, ban on commercial banks to open branches in rural areas where RRBs are operational, organization of Farmers Service Societies by RRBs and raising the proportion of indirect finance of total agriculture finance.

The working Group on RRBs (1986) came out with conclusion that RRBs are eminently suitable for financing the weaker sections and are playing a supplementary role in rural credit system. The study came to the conclusion that viability is essentially dependent upon the fund management.

**Shah (1987)** while measuring the efficiency of rural and urban branches of commercial banks in relation to their social objectives selected seven indicators. He has also applied the technique of 'principal component analyses' for constructing their composite indices of development.

**Gariwala and Bharat (1988)** found that beneficiaries of RRBs increased their income and cross the poverty line. The study was conducted on Gramin Banks in the district of Kutch and Jamnagar and established a useful relation between increase in the asset values and increase in income and employment (in mandays). The study found that, in all, 60per cent of the beneficiaries covered under the study had increased their income and had been able to maintain their asset values. The study further found that 45per centof the beneficiaries had been able to cross the poverty line.

**Molyneux and Thornton (1992)** found a negative and significant relationship between the level of liquidity and profitability, **Bourke (1989)** in contrast, reports an opposite result.

Reason for the contradictory findings may be the different elasticity of demand for loans in the samples used in the studies (Guru, Staunton and Balashanmugam, 2004). Credit risk is found to have a negative impact on profitability. This result may be explained by taking into account the fact that more the financial institutions are exposed to high-risk loans; the higher is the accumulation of unpaid loans implying that these loan losses have produced lower returns to many commercial banks Expense management, a correlate of efficient management is another very important determinant of bank's profitability. There has been an extensive literature based on the idea that an expenses-related variable should be included in the cost part of a standard microeconomic profit function. In this context, Bourke (1989) find that better-quality management and profitability go hand in hand.

**Perry (1992)** concluded that the extent to which inflation is fully anticipated. The influence arising from ownership status of a bank on its profitability is another much debated and frequently visited issue in the literature. The proposition that privately owned institutions are more profitable, however, has mixed empirical evidence in favour of it.

**Akhavein et al. (1997)** found that internal determinants originate from the balance sheets and/or profit and loss accounts of the bank concerned and are often termed as micro or bank-specific determinants of profitability. The typical internal determinants employed are variables, such as, size and capital

According to the **Narasimham Committee**, RRBs have low earning capacity. The recovery position of RRBs is not satisfactory. Their cost of operation has been high on account of the increase in the salary scales of the employees in line with the salary structure of the employees of commercial banks. In many cases, banks have not been located at the right place. For instance, the sponsoring banks are also running their branches in the same areas where RRBs are operating. The issue whether location matters for the performance has been addressed in some detail by **Malhotra (2002)**. Considering 22 different parameters that impact on the functioning of RRBs for the year 2000, Malhotra asserts that geographical location of RRBs is not the limiting factor for their performance. He further finds that 'it is the specific nourishment which each RRB receives from its sponsor bank, is cardinal to its performance'. In other words, the umbilical cord had its effect on the performance of RRBs. The limitation of the study is that the financial health of the sponsor bank was not considered directly to infer about the umbilical cord hypothesis.

**Sinha (2007)** discussed that the RRB amalgamation and reform process has lost touch with the original objective of promoting these banks as an instrument of financial inclusion. Though that goal is increasingly being force-fed to the banking system as a whole through the mechanism of "no-frills" accounts and implemented through under-paid business correspondents, it is unlikely that this strategy is sustainable.

## **METHODOLOGY**

**3.1 Area of the Study:** This study will be taken for the Haryana state and one branch of Haryana Gramin Bank (HGB) will be selected purposively for the study i.e. Ellenabad. The jurisdiction area of Ellenabad will be selected for collection of primary data. The **block** Ellenabad is situated in Sirsa district of Haryana. Ellenabad is the semi-arid area. Wheat and cotton are the main crops of this area. Total population of Ellenabad is 155373, out of which 55 per cent is rural and 45 per cent is urban. Economy of Ellenabad is agriculture based.

**3.2 Period of the Study:** The reference period for analyzing the performance in terms of growth, profitability and productivity is from 31<sup>st</sup> march 2005 to 31<sup>st</sup> march 2009. The primary data for analyzing the impact of **Haryana Gramin Bank** lending in terms of income and employment generation included for the period 2008-09.

### **3.3 Sample Design**

For securing the primary data from beneficiaries, well defined questionnaire is being formulated. The branch has been selected purposively keeping in mind the financial conditions and remote area of Ellenabad. A complete list of all the borrowers has been obtained from the Ellenabad branch. The beneficiaries have been divided into three sectors, i.e., primary, secondary and tertiary. A Sample of 100 beneficiaries has been selected randomly. Out of which 38 belong to the primary sector, 7 belong to secondary sector and 55 belong to the tertiary sector. Finally, the respondents were personally contacted to know about the pre-loan and post-loan position regarding income and employment. Every effort has been made to minimize sampling and non-sampling errors.

**3.4 Sources of Data:** Study has included both Primary and Secondary data for fulfilling the objectives of the study. These data assess the impact of Haryana Gramin Bank in Ellenabad rural area on growth and

rural development. Primary data are collected for assessing the impact of Haryana Gramin Bank on income and employment generation of the rural poor.

**3.4.1 Secondary Data:** The secondary data published through various source have been used to meet the other needs of the study, i.e., to examine the profitability and productivity performance of Haryana Gramin Bank, Ellenabad.

NABARD, Monthly Bulletins of various banks, Reports of RBI, information from Annual Reports published by Haryana Gramin Bank are the main sources secondary data of RRB's.

**3.4.2 Primary data:** These data of bank in Ellenabad have been selected from the beneficiaries of rural area through the Haryana Gramin Bank (HGB), Branch Ellenabad. From this branch five villages viz. Dholpalia, Kashi ka baas, Mameran, Kishanpura and Talwada selected randomly for collection of primary information to assess the impact of RRB's. Ten beneficiaries from each selected village have been selected and interviewed through well prepared and tested questionnaire for getting the required informations of the study.

**3.5 Statistical tools:** Simple average and tabulation statistical techniques were used for interpretation and presentation of the results of the study.

#### **4.1 Growth performance of Haryana Gramin Bank (Branch Ellenabad)**

In this chapter, we shall examine the growth performance of Haryana Gramin Bank (Branch Ellenabad) during period 2005-09. Growth of Haryana Gramin Bank can be judged on the basis of branch expansion, deposit mobilization and credit development. This will help us in knowing the progress made by the bank in achieving the basic objectives.

**Table 1 Branch Expansion by Haryana Gramin Bank**

<b>Years</b>	<b>Total(end of the year)</b>	<b>Opened during the year</b>
<b>2005-06</b>	179	4
<b>2006-07</b>	183	6
<b>2007-08</b>	189	5
<b>2008-09</b>	194	--
<b>Average annual</b>	----	5

**4.1.1 Branch Expansion:** There has been substantial increase in the number of branches during last few years. Number of branches increased from 179 covering 3 districts in 2005 to 194 covering 16 districts by the end of March 2009, showing an annual average growth rate of 5. Table 1 shows the detailed branch expansion of Haryana Gramin Bank and the yearly additions to the existing branches of this bank. The highest number of branches are working in the district of Bhiwani (51), followed by Hisar (23) and Sirsa (18). The lowest numbers of branches are working in the district of Karnal (1). Out of the 115 identified tribal districts in the country, as many as 92 districts have been covered.



**24.1.2 Deposit Mobilization:** The total deposits of branch Ellenabad rose from Rs. 50248378 in March, 2005 to Rs. 73366719 at the end of March, 2009 in 5501 deposit accounts. Thus an average deposit works out to Rs.13518 per account. The progress of deposit mobilization can be attributed to the pace of branch expansion in the state. A comparatively better indicator of deposit mobilization is deposits per branch as deposits can simply be increased by opening more branches in rural areas. But deposit mobilization in this way will adversely affect the profitability of bank.

**Table 2 Growth Trends in Deposit Mobilization of HGB (Branch Ellenabad)**

Items/years	2005-06	2006-07	2007-08	2008-09
<b>Amount of deposits</b>	50248378	79794791	70108238	73366719
<b>Number of accounts</b>	2578	2747	2929	5501
<b>Deposits per employee</b>	16749459	26598263	23369412	24788906
<b>Deposits per A/c</b>	19491	29047	23935	13518

**4.1.3 Credit Deployment:** The expansion and extension of credit by Haryana Gramin Bank is considered as an important criterion to judge its performance. The total amount of advances increased from Rs. 57427575 in 2005 to Rs. 14937285 in 2009.

**4.1.4 Credit-Deposit Ratio:** Credit-Deposit Ratio is an important indicator of performance evaluation. It indicates the credit deployed in relation to the volume of deposits mobilized in the area. Related data presented in Table 3.

**Table 3 Working Results of HGB (Branch Ellenabad)**

Items/years	2005-06	2006-07	2007-08	2008-09
<b>Income</b>	5180877	6668538	8055610	12289468
<b>Expenditure</b>	2801128	3822859	5041555	7530363
<b>Profit / Loss</b>	2379749	2845679	3014055	4759105

**4.4 CONCLUSION:** To conclude, the rapid expansion of Haryana Gramin bank during the period of 2005-09 has helped in reducing substantially the regional disparities in respect of banking facilities in Haryana. The efforts made by Haryana Gramin bank in branch expansion, deposit mobilization, rural development and credit deployment in weaker section of rural areas are appreciable. Haryana Gramin Bank successfully achieve its objectives like to take banking to door steps of rural house holds particularly in banking deprived rural area, to avail easy and cheaper credit to weaker rural section who are dependent on private lenders, to encourage rural savings for productive activities, to generate employment in rural areas and to bring down the cost of purveying credit in rural areas.

Thus Haryana Gramin Bank is providing the strongest banking network in Haryana. The bank is striving hard to provide best banking service in its command area.

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