FINANCIAL COMMITMENT OF SARVA HARYANA GRAMIN BANKS IN POST MERGER PERIOD AN EMPIRICAL STUDY

DR SHENTI KUMAR,
Assistant Professor in Commerce
Department of Commerce
Guru Nanak College, Budhlada

DR.BHARAT BHUSHAN,
Associate Professor in Commerce
Department of Commerce)
NIILM University, Kaithal

ABSTRACT:

The financial development of every Nation has been based on the banking sector. Banking sector resistor over a hefty portion of supply of circulation. After the nationalization of banks in the year respectively 1969 and 1980, the Government of India felt that there was a need to have dedicated web of bank twigs to accomplish the credit requirements of the countryside poor. And finally, the Government of India established Regional Rural Banks on the 26th September 1975 as a separate institution with an objective to justify the needs of rural masses. But mostly RRBs were making losses. Finally, the Government of India initiated the process of consolidation of RRBs by amalgamating. The merged RRBs were projected to provide improved customer service due to better infrastructure, amalgamating of experienced work force, automation of divisions. With the 3rd phase of amalgamation of RRB there are presently 43 RRBs working in India as on dated April, 2020 In Haryana, all the Regional Rural Banks have merged one by one and presently there is only one bank namely Sarva Haryana Gramin Bank sponsored by Punjab National Bank working in Haryana. The Sarva Haryana Gramin Bank has a network of 654 branches spread over 22 districts of its operation. The present paper focuses on the liquidity position of SHGB.

KEYWORDS: Financial Commitment, Merger, liquidity, Regional Rural Banks.

I INTRODUCTION

The financial development of every Nation has been based on the banking sector. The banking system of every country nourishes the whole development. They have resistor over a hefty portion of supply of circulation. Regional Rural Banks have been in presence for four and half decades. After the nationalization of banks respectively in the year 1969 and 1980, the Government of India felt that there was a need to have dedicated web of bank twigs to accomplish the credit requirements of the countryside poor. Keeping the requirement in view, the Banking Commission (1972) observed and recommended establishment of an alternative institution which provide banking facilities in rural area. And finally, the Government of India established Regional Rural Banks on the 26th September 1975 as a separate institution with an objective to justify the needs of rural masses. All RRBs were originally regarded as affordable establishments having a rural philosophy, local feel and pro poor attention. However, within a very short time, mostly banks were making losses. Finally, the Government of India initiated the process of consolidation of RRBs by amalgamating RRBs into the sponsored bank within a State ss per the recommendations of the Vyas Committee (2004)**.** The merged RRBs were projected to provide improved customer service due to better infrastructure, amalgamating of experienced work force, automation of divisions**.** With the 3rd phase of amalgamation of RRB there are presently 43 RRBs working in India as on dated April, 2020

II SARVA HARYANA GRAMIN BANKS

In the northern India, the previously RRBs were set up as Haryana Kshetriya Gramin Banks, Hisar-Sirsa Kshetriya Gramin Bank, Ambala-Kurukshetra Gramin Bank and Gurgaon Gramin Bank in Haryana with the objectives to take the finance to rural masses and to make accessible institutional credit to feebler sections of the society, to mobilize rural saving and channelize them for supporting productive activities in the rural areas. All these banks have merged one by one and presently there is only one bank namely Sarva Haryana Gramin Bank sponsored by PNB. The Sarva Haryana Gramin Bank has a network of 654 branches spread over 22 districts of its operation.

III REVIEW OF LITERATURE

A huge majority of literature is available on many aspects related to banks in India. Though studies on the performance of RRBs are scarce, a good number of studies have been done in other states of India.

Syed Ibrahim (2010) examined that Merger /Amalgamation of Regional Rural Banks of India have helped to improve their performance. The paper exposed that rural banks in India has significantly improved in its concert after unification process which was initiated by the Government of India.

Beg, M.P. (2014): The present paper and the research topic make an attempt to study the role of Regional Rural Banks in India in the financial inclusion. An effort has been made to study and analyze whether the Regional Rural Banks has made any progress towards assuring broader banking services to the rural poor in strengthening the position of the country in respect to financial inclusion.

IV RESEARCH METHDOLOGY

The secondary data has cast-off for the research study. With a view to achieve the objective, the Secondary data is collected mainly from financial statements compiled by the head office of Sarva Haryana Gramin Bank, RBI bulletin and NABARD yearly reports and its several paper issued. The study has been covered the period from 2013 to 2018. It has examined the liquidity position of Sarva Haryana Gramin bank after post-merger era. For analyzing and interpreting the results, the statistical tools like arithmetic mean, Standard Deviation and computed annual growth rate and Coefficient of Variation has used.

V OBJECTIVES OF THE STUDY

1. To access the financial commitment of Sarva Haryana Gramin Banks in post- merger period.
2. To analyses the impact of banking sector reforms on Liquidity position of Sarva Haryana Gramin Banks.

VI LIQUIDITY POSITION

Liquidity is an actual imperative factor for any business dealing with money. For a bank, liquidity is a key aspect which embodies its ability to meet its financial commitments. It is of extreme importance for a bank to maintain correct level of liquidity, which will otherwise lead to weakened earnings. The ratios have used to measure liquidity as follows:

1. **Liquid Assets Ratio**
2. **Liquid Assets to Total Assets Ratio**
3. **Liquid Assets to Total Deposits Ratio**
4. **Liquid Assets to Demand Deposits Ratio**

TABLE 1:
Liquid Assets Ratio of Sarva Haryana Gramin Bank

(₹ in Lakh)

Year	Liquid Assets	Current Liabilities	Ratio
2013-14	38038	27757	1.37:1
2014-15	39978	21614	1.85:1
2015-16	42874	10821	3.96:1
2016-17	53752	8659	6.21:1
2017-18	57125	11513	4.96:1
Mean	46353.4	16072.8	
CAGR	10.70%	-19.75%	
S.D	2.05		
C.V	55.8		

Sources: Compiled reports of Sarva Haryana Gramin Banks

The Table 1 shows that in the year 2013-14 Liquid Assets Ratio was 1.37:1 which more than its standard Ratio. It has increased by 4.96:1 which is more than its standard ratio in the year 2017-18. Liquid assets have increased by 10.70% and total assets have decreased by 19.75%. But the coefficient of variation was 55.8% which showed more Variation between total liquid assets and current liabilities.

Figure 1: Liquid Assets Ratio of RRB in Haryana

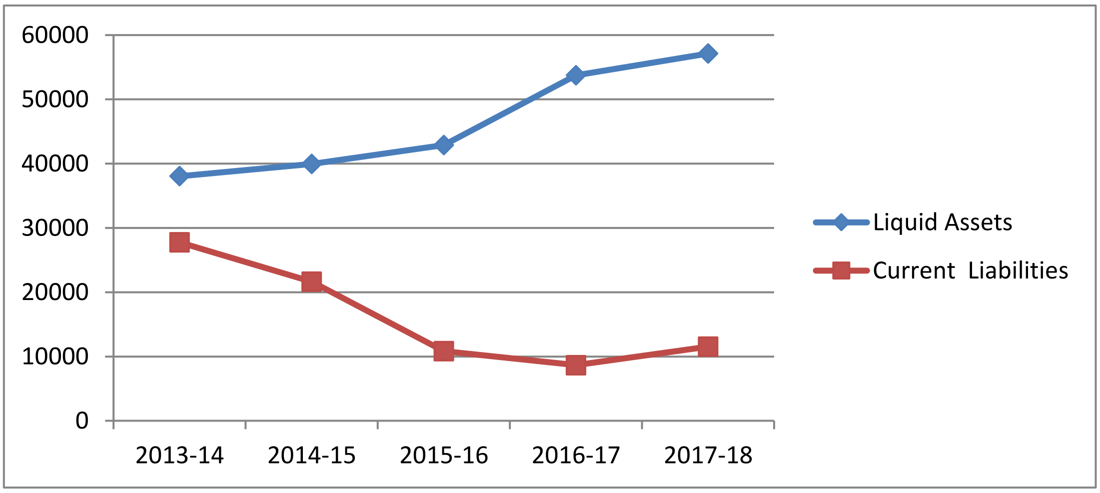


TABLE 2
Liquid Assets to Total Assets of RRB in Haryana
(₹ in Lakh)

Year	Liquid Assets	Total Assets	Ratio
2013-14	38038	1317487	2.89%
2014-15	39978	1321619	3.02%
2015-16	42874	1302759	3.29%
2016-17	53752	1455076	3.69%
2017-18	57125	1636996	3.49%
Mean	46353.4	1406787.4	
CAGR	10.70%	5.58%	
S.D	.33		
C.V	10.03		

Source: Compiled Annual Report of SHGB in Post-Merger Period

The Table 2 shows that in the year 2013-14 Liquid assets to total assets ratio is 2.89%. In the year 2017-18 its ratio was 3.49%. In the post-merger period, liquid assets have increased by 10.70% CAGR and Total assets have also increased by 5.58%. But the coefficient of variation was 10.03% which showed consistency between total liquid assets and total assets.

Figure 2 Liquid Assets to Total Assets of RRB in Haryana

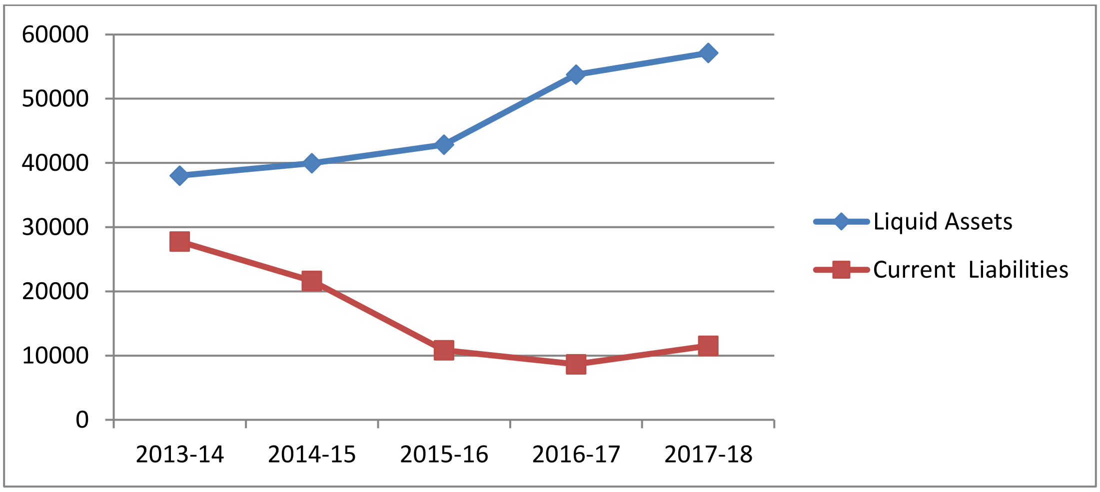


Table: 3
Liquid Assets to Total Deposits of RRB in Haryana
(₹ in Lakh)

Year	Liquid Assets	Total Deposits	Ratio
2013-14	38038	870952	4.37%
2014-15	39978	919304	4.35%
2015-16	42874	1012370	4.24%
2016-17	53752	1203050	4.47%
2017-18	57125	1355646	4.21%
Mean	46353.4	1072264.4	
CAGR	10.70%	11.70%	
S.D	.11		
C.V	2.54		

The Table 3 shows a fluctuating trend in Liquid Ratio of the Regional Rural Banks in the post-merger period. In 2013-14 Liquid Ratio to total deposits was 4.37%. Its ratio was 4.21% in the year 2012-13. In the post-merger period, total deposits have increased by 10.70% CAGR and Total assets have also increased by 11.70%. But the coefficient of variation was 2.54% which showed more consistency between total liquid assets and demand deposits.

Figure 3: Liquid Assets to Total Deposits of RRB in Haryana

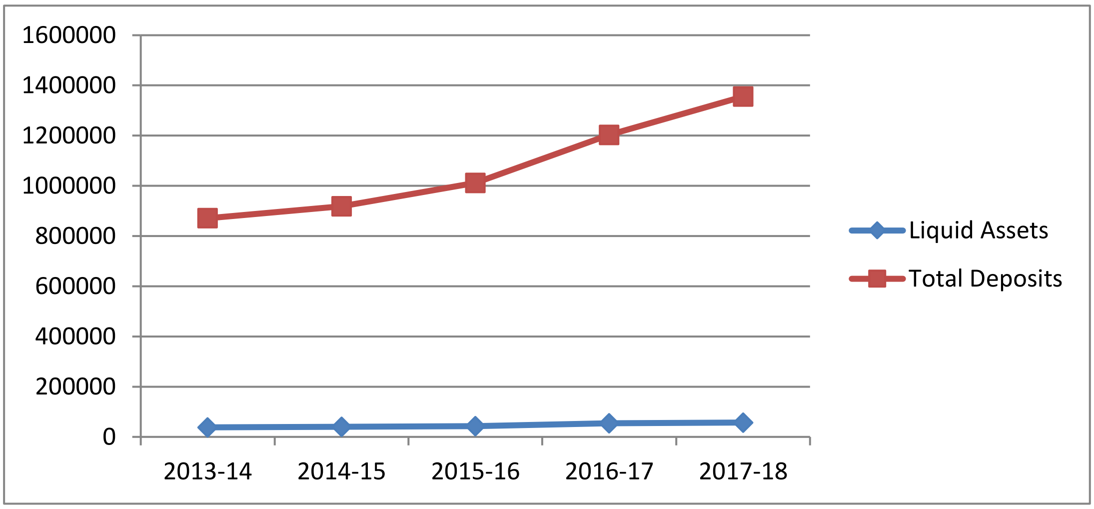


Table: -4
Liquid Assets to Demand Deposits of RRB in Haryana

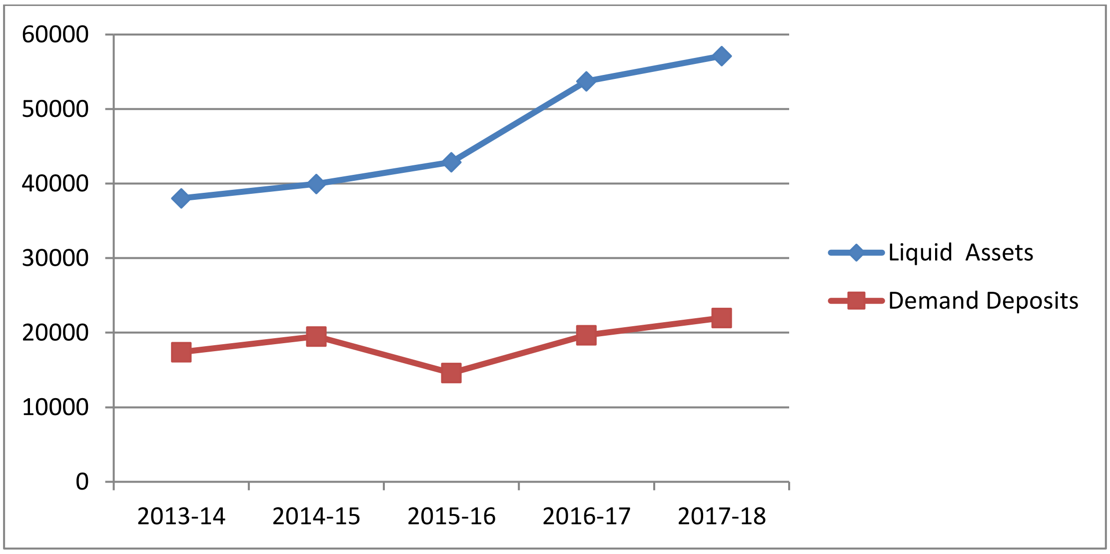
(₹ in Lakh)

Year	Liquid Assets	Demand Deposits	Ratio
2013-14	38038	17415	2.18.1
2014-15	39978	19488	2.05 :1
2015-16	42874	14598	2.93:1
2016-17	53752	19673	2.73:1
2017-18	57125	21984	2.60:1
Mean	46353.4	18631.6	
CAGR	10.70%	6.00%	
S.D	.37		
C.V	14.8		

Source: Compiled Annual Report of SHGB in Post-Merger Period

The Table 4 shows that in the year 2013-14 Liquid Ratio to demand deposits was 2.18 time. This ratio was 2.60 times in the year of 2017-18. In the post-merger period, total liquid assets have increased by 10.70% CAGR and total assets have also increased by 6 percent.

Figure 4 Liquid Assets to Demand Deposits of RRB in Haryana



VII CONCLUSION

Liquidity is a key aspect which exemplifies its ability to meet its financial commitments. Overall Liquidity position of SHGB with respect to various ratio related to present study showed that there has more consistency except one ratio liquid assets to current liabilities. It should be improved by giving more emphasized on it. Banks will have to take proper care in equivocation liquidity risk, while at the same time ensuring that a good percentage of funds will invest in higher return generating reserves, so that banks can make yield simultaneously provide liquidity to the savers.

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