

# An Analysis of Profitability of Sarva Haryana Gramin Bank

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## Abstract:

The most significant measure of financial performance is profitability. The degree of efficiency, productivity, and cost-effectiveness is selected through the bank's profit, which may be viewed as a composite index of its performance in numerous areas of operation. This study evaluates Sarva Haryana Gramin Bank's (SHGB) profitability performance. It is a banking establishment with operations in several Haryana areas. It was established to offer financial and banking services in remote locations. This research report examines the Sarva Haryana Government Bank's profitability performance. The secondary data used in this study were gathered from a variety of sources, including the RBI Bulletin, the Sarva Haryana Gramin Bank's annual reports, the Annual Reports of NABARD, and numerous research articles. The study's fiscal years of 2017–18 through 2022–2023 are covered. It has assessed the management performance of the bank using statistical tools such as computed annual growth rate and ratio analysis to assess Sarva Haryana Gramin Bank's profitability.

**Keywords:** Credit-Deposits Ratio, Sarva Haryana Gramin Bank, and Profitability Analysis.

## Introduction:

The primary goal of any business and the driving force behind its operations is profitability. Although definitions of profit vary widely, profit is generally defined as the difference between total revenue and total cost over a given period. The definition of profit, which is essentially a residue or excess of prices over production expenses or left above costs, is largely accepted. There are three types of profits: social, economic, and accounting. Accounting profit is computed by factoring in explicit costs, but economic profit is obtained by factoring in both implicit and explicit costs. The distinction between social gain and social cost is known as social profit. Because there is yet no precise definition for assessing social profit, it is challenging to determine it. The capacity of an investment to generate a profit from its utilization is known as profitability. A company's or industry's performance and efficiency can only be assessed based on its profitability; this is also referred to as the earning capacity of its investments. The firm will prosper as a result of its increased capacity for making profits. Profit is the only way to measure profitability, a relative phrase. Profit, however, also compares its relationship to other issues. There are two types of profitability: value added and accounting profitability. Value-added profitability is determined by calculating the excess turnover plus service revenue over the purchased products or services cost. In accounting, a relative change in profitability is determined by calculating the output as a percentage of the input and comparing the outcome with that of a similar organization.

One important indicator of a bank's operational effectiveness is its profitability. The organization will prosper as a result of its increased capacity to produce profits. As highly responsive institutions that are

accessible to the public, banks need to consistently maintain their profitability, which is crucial to both their expansion and sustainability as well as to fostering public confidence. The most significant measure of financial performance is profitability. (Ahmed et al., 2013).

Any nation's progress is greatly aided by its banks. In addition to acting as a middleman between lenders and borrowers, banks also engage in a variety of lending operations both directly through loan provision and indirectly through the capital market.(Aithal, 2016). Profitability serves as the primary source of motivation for a company. Performance can be measured in many ways, but in most cases, it is the difference between total income and expense. Profitability is the most crucial metric for assessing financial performance, as profits also determine the productivity and efficiency of institutions. Conducting regular profitability analyses is crucial for calculating a bank's growth. Sufficient earnings are necessary for operations and ongoing existence.(Ahmed et al., 2013).

Rural banks are vital to the development of rural areas. Our nation needs rural development because 70% of its people live in villages. On October 2, 1975, five Regional Rural Banks (RRBS) were founded in Bhiwani, Haryana; Gorakhpur & Moradabad, Uttar Pradesh; Jaipur, Rajasthan; and Malda, West Bengal. United Bank of India, Syndicate Bank, State Bank of India, and United Commercial Bank all provided sponsorship for these banks. Agricultural laborers, small traders, landless farmers, and small and marginal farmers can all receive financial assistance from Regional Rural Banks (RRBs) in rural areas(Katoch, 2019). These banks' primary goal is to offer banking services to underbanked communities. The Reserve Bank of India (RBI) and the National Agricultural Bank and Rural Development (NABARD) run the RRBs(Kher, 2013). All branches benefited from the 2005 RRB consolidation, which began in that year(D.Maheshwara Reddy, 2011). Rural banking, which strives to make financial services freely accessible in rural areas, plays a significant part in keeping the economy balanced. Rural expansion is very beneficial for overall economic growth (Shetty & Bhat, 2022).

### **Sarva Haryana Gramin Bank:**

Sarva Haryana Gramin Bank (SHGB) came into existence on 29th November 2013 after the amalgamation of two RRBs namely- Gurgaon Gramin Bank and Haryana Gramin Bank. Gurgaon Gramin Bank (1976) is sponsored by Syndicate Bank and the head office was in Gurgaon. The head office of Haryana Gramin Bank (21 December 2005) was situated at Rohtak. Sarva Haryana Gramin Bank works in 22 districts with 680 branches all over Haryana.(Annual Report, n.d.).Sponsorship of central government, state government, and sponsor bank is 50:15:35. Sarva Haryana Gramin Bank has a network of 680 branches 477 are rural branches, 134 semi-urban branches, 59 urban branches, and 10 metropolitan branches. These metropolitan branches are only in the Gurgaon district. There are 10 regional offices of Sarva Haryana Gramin Bank namely- Bhiwani, Fatehabad, Ambala, Gurugram, Kaithal, Hisar, Panipat, Nuh, Rohtak, and Rewari. The bank has better saving opportunities and fulfills the financial needs of the weaker section. Deposits are based on the development and financial strength of the bank. All investments of the bank are based on RBI guidelines. Sarva Haryana Gramin Bank provides purpose-wise and group-wise loan disbursement. According to the RBI standard report, Sarva Haryana Gramin Bank is India's first bank to print material on financial literacy. This Bank is the highest contributor of below-poverty-line families in providing financial help in the HBS (Housing Board Scheme). The bank also promotes Self Help Group(SHG) through micro-credit(Raj, 2021).

Sarva Haryana Gramin Bank is an important financial institution dedicated to rural development in Haryana, India. As a regional rural bank sponsored by Punjab National Bank, Sarva Haryana Gramin Bank plays a vital role in providing banking services in rural areas and supporting agriculture, small

businesses, and local communities. The profitability of Sarva Haryana Gramin Bank is an important indicator of its financial health and operational effectiveness, reflecting its ability to generate sustainable returns amid the unique challenges of rural banking.

First Bank in India to produce financial literacy materials by RBI guidelines is Sarva Haryana Gramin Bank. Seven Financial Literacy Centres have been created by the bank in various districts of the state of Haryana. It has been decided that SHGB will act as a facilitator for the state's e-pension distribution. NABARD has designated Sarva Haryana Gramin Bank as a Self Help Group Promotion institution (SHPI) (Sarika, 2018).

**Research Methodology:**

The study is based on secondary data collected from annual reports of Sarva Haryana Gramin Bank, Reserve Bank of India (RBI), related journals and articles, and the National Institution of Rural Development (NIRD). Financial data including balance sheet and income statement from financial years 2017-18 to 2022-23 are obtained from annual reports of Sarva Haryana Gramin Bank and database. For analysis, the profitability percentage and ratio are also used.

**Results and discussion**

**Profitability Analysis:**

Evaluating banks for financial health and stability is important, especially for banks that primarily serve rural areas. Profitability planning means the management of the overall functions of the bank. Higher profitability means the bank's financial condition is good and lower profitability means not controlling expenses. (S.S.Narta, 2019). The study uses performance and financial ratios to assess the profitability of Sarva Haryana Gramin Bank from FY 2017-18 to 2022-23. Analyzing the profitability of a Sarva Haryana Gramin Bank involves examining its financial statements over a certain period, typically from FY 2017-18 to 2022-23. The analysis considers trends in income generation, cost management, asset quality, and overall financial stability. For Sarva Haryana Gramin Bank, which primarily operates in rural areas characterized by agricultural cycles and seasonal income patterns, these factors play a key role in shaping its profitability dynamics.

**Table 1: Net Profit to Total Assets**

Year	Net Profit (In Rs.)	Total Assets (In Rs.)	Net Profit/ Total Assets (%)
2017-18	1,82,54,23,023	1,63,69,96,49,262	1.12
2018-19	83,02,91,438	1,79,45,94,52,004	0.46
2019-20	3,02,41,318	1,93,88,98,62,878	0.015
2020-21	18,30,16,056	2,17,20,18,71,646	0.084
2021-22	1,82,90,61,786	2,23,83,59,17,695	0.81
2022-23	4,23,24,25,627	2,54,96,28,94,221	1.66

**Sources:** Annual Reports of Sarva Haryana Gramin Bank

In **Table 1**, Net profit to total assets is given. In this table, we understood that the percentage of net profit to total assets is between 1.12 to 1.66. The highest percentage will be in 2022-23 and the minimum in 2019-20. Net profit to total assets percent means assess the return of Total assets and efficiency of proper utilization of assets. This table shows the variability of Sarva Haryana Gramin Bank.

**Table 2: Interest Income to Total Assets**

Year	Interest Income (In Rs.)	Total Assets (In Rs.)	Interest Income/ Total Assets (%)
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2017-18	1,19,92,90,232	1,63,69,96,49,262	0.732
2018-19	13,01,89,44,688	1,79,45,94,52,004	7.254
2019-20	14,37,36,77,353	1,93,88,98,62,878	7.413
2020-21	15,72,55,61,887	2,17,20,18,71,646	7.240
2021-22	16,11,52,35,993	2,23,83,59,17,695	7.199
2022-23	17,83,66,34,384	2,54,96,28,94,221	6.995

**Sources:** Annual Reports of Sarva Haryana Gramin Bank

In **Table 2**, interest income to total assets is given. Highest interest income to total assets in the financial year 2019-20 is 7.413. and lowest in the financial year 2017-18 is 0.732. The interest income percentage is almost the same from 2018-19 to 2020-21. After 2017-18 it changed a lot.

**Table 3: Other Income to Total Assets**

Year	Other Income (In Rs.)	Total Assets (In Rs.)	Other Income/ Total Assets (%)
2017-18	1,80,15,99,542	1,63,69,96,49,262	1.100
2018-19	1,26,05,08,798	1,79,45,94,52,004	0.702
2019-20	1,53,55,40,735	1,93,88,98,62,878	0.791
2020-21	2,08,66,37,082	2,17,20,18,71,646	0.960
2021-22	3,57,69,74,779	2,23,83,59,17,695	1.598
2022-23	3,81,68,63,064	2,54,96,28,94,221	1.497

**Sources:** Annual Reports of Sarva Haryana Gramin Bank

In **Table 3**, other income to total assets is given. This table represents the percentage of other income to total assets. The highest percentage in the financial year 2021-22 is 1.598. The lowest percentage in the financial year 2018-19 is 0.702.

**Table 4: Credit and Deposit Ratio**

Year	Credits (Rs. in Lakhs)	Deposits(Rs. in Lakhs)	C/D Ratio
2017-18	874104	1355646	64.30
2018-19	944416	1454757	65.79
2019-20	936929	1618912	62.66
2020-21	1015561	1765236	60.53
2021-22	1135607	1853436	63.85
2022-23	1314900	2055516	65.96

**Sources:** Annual Reports of Sarva Haryana Gramin Bank

In **Table 4**, Credits and deposits are given. If the bank maintains the credit and deposit ratio at the optimum level then the bank will get a lot of profits efficiently. Highest credit-deposit ratio in the financial year 2022-23 and lowest credit-and-deposit ratio in the financial year 2020-21. Credit and deposits are the main indicators to calculate bank liquidity. Credit and deposits are affected by interest rates and economic growth also.

**Table 5: Outstanding Loans and Advances of Sarva Haryana Gramin Bank**

Year	Agriculture Sector (Rs. in Lakhs)	Non-Agriculture Sector (Rs. in Lakhs)	Total (Rs. in Lakhs)
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2017-18	710623	161026	8,71,649
2018-19	783452	173613	9,57,065
2019-20	830367	184036	10,14,403
2020-21	858123	210460	10,68,583
2021-22	926995	256481	11,83,476
2022-23	1016235	339494	13,55,729

**Sources:** Annual Reports of Sarva Haryana Gramin Bank

In **Table 5**, outstanding loans and advances in Agriculture and Non-Agriculture are given. Highest loans and advances in the financial year 2022-23 and lowest loans and advances in the financial year 2017-18. The highest loan is also provided to the agriculture sector in the financial year 2022-23.

**Findings and Conclusion:**

The findings underscore the importance of sustainable profitability in ensuring long-term financial viability and service continuity for rural banks. Policy recommendations include diversifying revenue streams through fee-based services, leveraging technology for operational efficiency gains, and strengthening credit risk management frameworks. In addition, enhancing financial literacy and customer outreach programs can lead to greater customer retention and loyalty, thereby boosting profitability. For doing research and development establish a research Cell that will help to develop Sarva Haryana Gramin Bank.

The profitability analysis of Sarva Haryana Gramin Bank highlights its resilience amid rural economic dynamics and operational challenges. While Sarva Haryana Gramin Bank exhibits commendable financial stability, strategic initiatives are needed to enhance profitability and sustainability in the emerging banking landscape. Future research may explore the impact of macroeconomic factors and regulatory changes on Gramin Bank's profitability to provide broader insights for policymakers and banking practitioners.

The profitability analysis of Sarva Haryana Gramin Bank plays its role in promoting rural development through an effective financial position. By evaluating and actively resolving key performance enhancements, Sarva Haryana Gramin Bank can maintain profitability while fulfilling its mission of meeting the banking needs of the rural masses in Haryana.

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