

An Analysis of Operational Efficiency of Regional Rural Banking in Himachal Pradesh (A Case Study of Himachal Pradesh Gramin Bank)

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Abstract

India is one of the fastest-growing economies among developing countries. Although the Indian economy and banking system has faced a lot of ups and downs in recent years still both are completely interdependent and growing with a positive spirit. The banking framework plays an important role in any country. Financial experts have communicated diversified suppositions on the viability of saving frameworks for the adoption and advancement of financial improvement.

The prime objective of the establishment of the Bank is to provide basic banking facilities to the remote rural sectors and to provide the facility to rural masses to deposit their savings securely. Another important responsibility entrusted to the Bank was to provide productive credit, viz. Agriculture, Cottage and Small Industries, retail trade, dairy development, and other related allied activities. The bank allowed financing for housing, education, transport and consumer loans to the public under different approved schemes of the Bank. Himachal Pradesh Gramin Bank is sincerely working to fulfill its obligations.

The duration for measuring the relative performance of the Bank is 2012-2021. The study is based on secondary data which is collected from official websites and annual reports of the bank, government reports, RBI reports, magazines, journals, newspapers etc. There are various dimensions of the operational efficiency of the bank are: Branch Expansion, Deposits Mobilization, Credit Expansion, Borrowing, Profit Progress, Profitability Performance and Correlation Analysis. It is concluded that the correlation between Deposits and Investments of the bank, a significant and highly positive correlation and the correlation between Deposits and Advances of the Bank, significant and Positive correlation was found a significant relationship between Deposits and Advances of the Bank during the study period.

Keywords: RRB, ATM, KYC, SIDBI, IDBI.

Introduction

The banking framework plays an important role in any country. It is one of the numerous foundations that maintain its consistent level of performance and influence its effective role. Financial experts have communicated diversified suppositions on the viability of saving frameworks for the adoption and advancement of financial improvement.

India is one of the fastest-growing economies among developing countries. Although the Indian economy and banking system has faced a lot of ups and downs in recent years still both are completely interdependent and growing with a positive spirit. The Banking industry is one of the basic instruments of economic growth. The noteworthy part of the Banking sector lies in its financial viability. The basic responsibility of the Indian Banking sector is to help, to develop the economy, and to serve the nation. Banking is one of the key factors which help in administering the economy by circulating the currency in the market.

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Regional Rural Banks in India

Regional Rural Banks are Indian Scheduled Commercial Banks (Government Banks) operating at the 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 area of operation may include urban areas too. With the introduction of the Regional Rural Banks Act, 1976, those banks have come a long way from a limited area of operation and finance-only target group beneficiaries to viable banks with operations extending to the entire state in some cases. Regional Rural Banks were established under the provisions of an Ordinance passed on 26 September 1975 and the RRB Act 1976 to provide sufficient banking and credit facility for agriculture and other rural sectors.

The availability of Bank branches is considered one of the most important channels of the bank and generally the most preferred channel of the customer. Hence it is needed to make an effort by the banks to expand their branch network to provide equal opportunity to all the users of bank services. As on 31 March 2021 there were 43 Regional Rural Banks with a wide branch network of 21,871 serving rural India to cater to its banking needs.

Rural Banking in Himachal Pradesh

At the time of formulation in Himachal Pradesh in the year 1948, there was a big scarcity of Banking facilities. Although Co-operative banks with their limited role were providing banking services in their specific and limited area of operations they were not fulfilling the needs of the entire state known for its different agriculture, and horticulture outlook with the number of cash crops and unique topography. Agriculture is the largest single industry and is the main occupation of the people in Himachal Pradesh, It employs approximately 75% of the total working population of the State. The State Government has adopted the policy not only to make the State self-sufficient in food grain but also to improve the agricultural economy through the cultivation of cash crops. On the other hand, the Government is also working on special efforts to promote horticulture crops and to bring more and more area under horticulture to improve the income status of the rural population. The performance of commercial and rural banks is improving the condition of the rural people of the State and meeting the credit requirements of the people. As provided in the act the main objective of the rural bank is to accelerate the credit flow among the small and marginal farmers, rural artisans, and other weaker sections of society.

Himachal Pradesh Gramin Bank

A new era of RRBs in Himachal Pradesh took place when in the Year 2013 both the above RRBs were amalgamated under section 21 of RRB Act 1976 and a new RRB namely Himachal Pradesh Gramin Bank was established by extending its area of operation to all the 12 districts of Himachal Pradesh with its head office at Mandi. This reform, on the one hand, registered a growth of Rs. 930.12 Crores at 15.47 percent and achievement of Rs. 6943.82 Crores in its business as on March 31, 2018 while on the other hand expanded its branch network to 265. This merger enhanced the working efficiency of this newly established Himachal Pradesh Gramin Bank and helped to expand its business activities from agricultural, small, and cottage industries credit to nonagricultural purposes like education, housing, transport, etc. too. Bank could also develop customer-friendly facilities like e-banking, installation of ATMs at doorsteps of the rural population and initiated branch automation process.

Himachal Pradesh Gramin Bank, sponsored by Punjab National Bank came into existence with the amalgamation of two RRBs, viz. Himachal Gramin Bank, Mandi (sponsored by Punjab

National Bank) and Parvatiya Gramin Bank, Chamba (sponsored by State Bank of India) vide Government of India Notification dated 15th February 2013 under section 21 of the RRBs Act, 1976 with its Head Office at Mandi. The area of operation of the Bank is spread over to 12 districts of Himachal Pradesh. The Bank is authorized to affect banking transactions as permitted under section 5(b) of Banking Regulation Act, 1949.

Presently, Bank is functioning with a network of 265 branches in twelve districts namely: Mandi, Kangra, Kullu, Hamirpur, Bilaspur, Una, Shimla, Solan, Sirmour, Kinnaur, Chamba and Lahul-Spiti. There are five regional offices- Chamba, Dharamshala, Mandi, Solan, Hamirpur.

Review of Literature

(Islam, 2014) analyzed the financial performance of National Bank Limited which is one of the largest and most prominent private commercial banks in Bangladesh. This study is based on financial performance. The financial performance is analyzed on different dimensions which are profitability, liquidity, and credit performance. (Thakur & Bhaduria, 2014) conducted research entitled "A study on financial performance using the ratio analysis at Kuleswarar mills B unit of national textile corporation ltd." The study was based totally on a secondary study. This textile corporation ltd. is owned by the government of India in Coimbatore city. The study depends mainly on the company's report, books, and company's profile. (Zhao & Kang, 2015) the result shows that the overall mean size of the labor force the overall mean of total assets, the overall mean of operating expenses the overall mean of loans, and the overall mean of deposits continue to rise year after year that shows the growth of the bank increasing throughout the period except for 2008 and 2012. It shows the upward trend of deposits. (Barwal & Kumar, 2015) stated that cooperative structure plays an important role in Indian Financial System. Secondary data is used to analyze the financial performance of the banks and collected from the published annual reports for the last five years i.e. from 2009-10 to 2013-14. Different parameter used for comparison is more are: Shareholder's funds, deposit mobilization, advances, recovery position, operational performance and financial performance. (Jaiswal & Jain, 2016) investigate a compensative study of the financial performance of SBI and ICICI banks in India. The researchers found that in the year 2012-13 where SBI bank's total income was decreasing, on the other hand, ICICI banks were increasing but in terms of figures SBI bank is leading. By analysis of the financial performance of SBI and ICICI bank, we can say that, the SBI is financially sound as compared to the ICICI bank. (Arora & Sharma, 2017) Public sector banks performed better as a result of government programs aimed at improving bank efficiency, technological innovation, and reduced overstaffing. Except for net profit, all metrics show that public banks are growing faster than private banks. (Sukthankar, Chonkar, Rath, & Jain, 2020) rural areas, cooperative banks are more prevalent. Both primary and secondary data have been utilized in the investigation. Advances, Working Capital, Investment, and Gross NPA Impact on Net Profit are the variables used to analyze performance. The impact of advances, deposits, investments, and operating income on the bank's profitability is also examined. The paper's main conclusion is that customers are extremely happy with the bank's general level of customer service. Select factors have proven that Gross NPA has a substantial effect on them. The factors advances, deposits, operating revenue, and investments affect the bank's profitability. (Karthikeyan, 2021) financial results was of Paiyanoor Primary Agricultural Cooperative Credit Society Ltd. investigated and found to be generally outstanding. Debt-to-equity has performed admirably. The PACCS must take the necessary steps to effectively maintain and reduce operating expenses. The Primary

Agricultural Cooperative Credit Society Ltd. financial statements demonstrate that the organization had numerous financial challenges over the previous five years. Several issues contributed to the cooperative bank's declining profitability in the years 2014–2015. The cooperative bank did not have a stellar history before these years. Despite significant declines in its finances and profitability, particularly in the fiscal years 2014–2015, the cooperative bank was nonetheless able to survive.

Research Methodology

A research design is a plan according to which observations are made and data is assembled. It will provide the empirical and logical basis for drawing conclusions and getting knowledge for accomplishing the objectives of the study secondary data is utilized. The validity of any research is based on the systematic method of data collection and analysis. The study is based on secondary data collected from the balance sheet, website and reports of the bank.

Need of the Study

In this day and age of vulnerability, individuals have gotten cognizant about their paring and interest in wellbeing way. They are likewise looking for a foundation from where on the off chance that instance of need they can get simple and modest credit, which is close to their home and where they can be treated as relative. The Gramin Bank is the answer to each problem of agriculturists, farmers, and people who live in rural areas. The Rural Banking sector is the only one where people can find all these qualities and get a good return on their investments well. The modernized banking facilities of Private Banks attracted the attention of the people and raised their customer database. It is time to increase their customers and retail old loyal and profitable customers are the major issue for the Himachal Pradesh Gramin Bank.

Scope of the Study

The study evaluated the operational analysis of the Himachal Pradesh Gramin Bank in Himachal Pradesh. This study enabled the researcher to improve their knowledge about the Banking Sector especially Rural Banking. The study enables the bank to know its actual financial position of the bank and effectiveness of regional rural banks in the rural areas of the country. The finding of the study will help in taking the decision that leads to the effective functioning of the Bank. It will also help to find out the financial inclusion and scope for banking in the unbanked area, especially in the sector of rural banking.

Objectives of the Study

The objectives of the present study are:

1. To assess the operational efficiency of the Himachal Pradesh Gramin Bank.
2. To analyze the relationship between Deposits, Investments and Advances of the Himachal Pradesh Gramin Bank.
3. To identify the problems and to make suggestions for further improvement in the functioning of the Bank.

Sample Design

The study is focused on Regional Rural Banks in Himachal Pradesh therefore the sample for checking the performance of Regional Rural Banks in the State the Himachal Pradesh Gramin Bank is selected. The duration for measuring the relative performance of the Bank is 2012-2021.

Sources of Data Collection

The study is based on secondary data which is collected from official websites and annual reports of the bank, government reports, RBI reports, magazines, journals, newspapers etc.

Parameters for Analyzing the Operational Efficiency

The operational efficiency of the banks determines the success or failure of the banking sector. Operational efficiency is defined as the skill or technique of making the most out of the available resources. There are various dimensions of the operational efficiency of the bank are: Branch Expansion, Deposits Mobilization, Credit Expansion, Borrowings, Profit Progress, Profitability Performance and Correlation Analysis.

Data Analysis and Interpretation

The performance of this bank has been evaluated based on the operational efficiency of the Himachal Pradesh Gramin Bank with the help of different selected parameters.

Share Capital and Branch Expansion

The authorized capital of the Himachal Pradesh Gramin Bank is in the ratio of 50:35:15 percent contributed by the Central Government, sponsor bank (Punjab National Bank) and the Government of Himachal Pradesh respectively. Himachal Pradesh Gramin Bank is working with an established network in its area of operation in Himachal Pradesh, keeping in view of the banking requirements and viability. Although the bank adopted a strategy for the opening of new branches in unbanked rural areas in Himachal Pradesh it was also need-based.

Table 1: Capital Structure and Branch Expansion (Amount in crores)

Years	Authorized Capital	Paid Up Capital	Growth	Growth in %	No. of Branches	Growth in Branches	Growth in %
2012-13	50	20	....	.....	188	0	0
2013-14	50	20	0	0	188	0	0
2014-15	50	20	0	0	212	24	12.77
2015-16	200	154.36	134.36	671.80	237	25	11.79
2016-17	200	154.36	0	0	263	26	10.97
2017-18	200	154.36	0	0	263	0	0
2018-19	200	154.36	0	0	265	2	0.76
2019-20	200	154.36	0	0	265	0	0
2020-21	200	154.36	0	0	265	0	0

Source: Annual Reports of the Himachal Pradesh Gramin Bank.

As table 1 has depicted authorised capital and branch expansion, in the table the authorised capital of the bank remained at a level of Rs. 50 crores for the period 2012–13 to 2014–15, which was increased to Rs. 200 crores in the year 2015–16, with a recorded growth of 400% over the year 2012–13. An increase in authorised capital was the basic requirement of the bank due to the merger of another rural bank, i.e., Parvatiya Gramin Bank, and expansion of its area of operation

in all twelve districts of Himachal Pradesh. On the other hand, the status of paid-up capital has been at a constant level of Rs. 20 crores till the financial year 2014–15, which was increased to Rs. 153.36 crores from the year 2015–16. This increase resulted in a growth of 671.80% over the year 2014–15. Paid-up capital has been observed at the same level until the years 2020–21. The annual compound growth rate was recorded at 67.18% during the period under study. All of this indicates that the bank could increase its paid-up capital in 2015-16 in order to strengthen the bank's capital base following a merger and acquisition.

The branch expansion position of the bank during the years 2012–13 to 2020–21 has revealed from the table that the bank was functioning with 188 branches in the year 2012–13 and touched the figure of 212 in the year 2014–15. The bank opened 24 new branches in its area of operation, due to which a growth of 12.77% was observed over the previous year under study. Until 2016-17, when the number of branches increased to 263, the bank maintained a consistent level of branch expansion. The bank opened two more branches in 2018-19, bringing the total number of branches to 265. If we analyse the branch expansion scenario between the years 2012–13 and 2020–21, a growth of 40.95% has been observed. An annual compound growth rate of 5.18% has been noticed in branch expansion during the entire study period.

Deposit Mobilization and Credit Expansion

One of the fundamental functions of any banking organisation is deposit mobilization. The bank mobilises deposits through different deposit schemes and is a primary source for the generation of funds. An optimal level of deposits leads to attractive credit creation, which generates income for the bank.

Credit expansion rate is one of the important indicators for evaluating the operational efficiency of any banking institution. If deposits are not disbursed as loans to the public, they become a liability for the bank. Credit expansion and the amount of loans disbursed, on the other hand, require proper care and attention to keep them performing assets and sources of profit generation.

Table 2: Deposit Mobilization and Credit Expansion (Amount in Crores)

Years	Deposits	Growth (Rs.)	Growth in %	No. of Branches	Average Deposits Per Branch	Advances	Growth in Rs.	Growth in %
2012-13	2158.64	.....	.....	188	11.48	882.45	.....	.....
2013-14	2465.27	306.63	14.20	188	13.11	953.06	70.61	8.00
2014-15	2941.72	476.45	19.33	212	13.88	1010.03	56.97	5.98
2015-16	3318.56	376.84	12.81	237	14.00	1190.4	180.37	17.86
2016-17	4056.95	738.39	22.25	263	15.43	1177.56	-12.84	-1.08
2017-18	4468.38	411.43	10.14	263	16.99	1500.87	323.31	27.46
2018-19	5097.92	629.54	14.09	265	19.24	1772.56	271.13	18.06

2019-20	5811.13	713.21	13.99	265	21.92	2048.81	276.25	13.48
2020-21	6478.15	667.02	11.47	265	24.44	2350.20	301.39	14.71

Source: Annual Reports of the Himachal Pradesh Gramin Bank.

Table 2 has shown the operational efficiency of Himachal Pradesh Gramin Bank in terms of the volume of deposits mobilised during the period under study. A significant spurt has been observed in the volume of deposits. On analysis of deposit mobilization, an increasing trend has been noticed with a consistent level of growth ranging from 10.14% to 22.25%. With increasing trends in deposit amounts, the bank reached a level of Rs. 6478.15 crores in 2020-21. Since the efficiency of the bank largely depends on the individual efficiency of the branches, per-branch deposits were also analysed and noticed, with a maximum average deposit of Rs. 22.25 crores per branch in the year 2016–17. Throughout the study period, an annual compound growth rate of 13.14 percent was recorded.

The bank's outstanding advances position from 2012-13 to 2018-19. The bank had outstanding advances of Rs. 882.45 crores in 2012–13, which increased to Rs. 1772 crores in 2018–19. A negative growth of 1.08% has also been observed during the year 2016–17. The maximum growth in advances was observed in 2017-18, at 27.46%, with the amount of outstanding advances standing at Rs. 323.31 crores. The overall scenario of outstanding advances is fluctuating during the period under study; hence, the bank needs to frame a sound credit policy by introducing attractive loan schemes with competitive rates of interest. An annual compound growth rate of 11.60% has been noticed during the entire period of study.

Borrowings and Resource Mobilization

To meet the credit disbursement requirements, the bank may avail of the re-finance facilities provided by different financial institutions like the National Bank for Agriculture and Rural Development, the Punjab National Bank (Sponsor Bank), and the Industrial Development Bank of India under different schemes at different times. Institutions provide re-financing facilities to the country's RRBs for a specific purpose, allowing them to make additional financial provisions to the ultimate borrowers.

Resource mobilisation is an important component of the credit cycle, which includes owned funds consisting of share capital, deposits mobilized, and borrowings raised. The share capital of the Himachal Pradesh Gramin Bank is divided into shares of nominal value and contributed by the members, i.e., the Government of India, the Punjab National Bank, and the Government of Himachal Pradesh. A healthy financial base of owned funds not only instils confidence among the bank's various stakeholder groups, but it also reduces the bank's reliance on outside sources of funding. On the other hand, deposit mobilisation is another indicator of a strong resource mobilisation strategy by the bank, and borrowings show the involvement of different financial institutions like NABARD, sponsor banks, and SIDBI/IDBI for credit needs.

Table 3: Borrowings and Resource Mobilization (Amount in crores)

Years	Borrowings	Growth in Rs.	Owned Funds	Deposits	Borrowings	Total	Growth In Rs.	Growth In %	Growth in %
2012-13	184.08	.....	20 (0.84)	2158.64 (91.37)	184.08 (7.79)	2362.72 (100)	.....	.....	.....
2013-14	784.67	600.59	20 (0.62)	2465.27 (75.39)	784.67 (23.99)	3269.94 (100)	907.22	38.40	326.27
2014-15	674.56	-110.11	20 (0.56)	2941.72 (80.89)	674.56 (18.55)	3636.28 (100)	366.34	11.20	-14.03
2015-16	303.13	-371.43	154.36 (4.08)	3318.56 (87.88)	303.13 (8.04)	3776.05 (100)	139.77	3.84	-55.06
2016-17	334.17	31.04	154.36 (3.39)	4056.95 (89.26)	334.17 (7.35)	4545.48 (100)	769.43	20.38	10.24
2017-18	355.59	21.33	154.36 (3.10)	4468.38 (89.76)	355.5 (7.14)	4978.24 (100)	432.76	9.52	6.38
2018-19	393.06	37.56	154.36 (2.74)	5097.92 (90.30)	393.06 (6.96)	5645.34 (100)	667.10	13.40	10.57
2019-20	422.35	29.29	154.36 (2.41)	5811.13 (90.99)	422.35 (6.61)	6387.84 (100)	742.50	13.15	7.45
2020-21	926.62	504.27	154.36 (2.04)	6478.15 (85.69)	926.62 (12.25)	7559.13 (100)	1171.29	18.33	119.39

Source: Annual Reports of the Himachal Pradesh Gramin Bank

Table 3 represents the borrowing position of the bank during the period under study. In the year 2012–13, the bank raised borrowings under different refinancing schemes to the tune of Rs. 184.08 crore, which increased to Rs. 784.67 crore in the year 2013–14 and declined to Rs. 303.13 crore in the year 2015–16. Throughout the study period, a fluctuating trend in the amount of borrowings was observed. The bank raised the maximum amount of borrowings to the tune of Rs. 926.62 crores in the year 2020–21, while the minimum amount of Rs. 184.08 crores was raised in the first year of the study period, i.e., 2012–13. On analysis, it is further observed that the maximum level achieved in the years 2020–21 is also a result of the merger and acquisition of Parvatiya Gramin Bank working in the state of Himachal Pradesh Bank, which achieved an annual compound growth rate of 40.62% during the period under study.

As presented in table 4.3, the total resources mobilised have shown an upward trend during the entire period under study. According to an analysis of owned funds and their share in total resources mobilized, the bank achieved the highest percentage of share in the year 2015-16, i.e., 4.08% of total resources, with an amount of Rs. 154.36 crores. The bank maintained this level of owned funds until 2020-21, but with a 2.04% decrease in percentage. Significant shares of deposits have been observed during the entire period of study. On analysis of deposits mobilized, an increase in amount of deposits has been noticed from the year 2013–14; in the year 2015–16, it was noticed at Rs. 3318.56, and the percentage share was found at 87.88%. Under the study period, an increasing trend has been observed in the amount of deposits as well as its percentage share till the year 2019–20.

Profit and Profitability Performance

The profit and loss of any organisation basically depends upon its income and expenditure structure. To maintain strong, healthy, and consistent progress in terms of making profit, it is

necessary for any organisation to accelerate its income scope and control its expenditures, keeping in mind the cost-profit and volume relationships.

Table 4: Profits Trend and Profitability Performance (Amount in crores)

Years	Income	Expenditure	Profit/Loss	Growth	Profits	Accumulated Profit/Loss	Growth	Growth in %	Growth in %
2012-13	29.23	28.91	0.22	.....	0.22	63.49	.....	.....	.....
2013-14	246.71	234.57	8.46	8.24	8.46	69.84	6.35	10.00	3745.45
2014-15	289.94	276.58	9.60	1.14	9.6	77.04	7.20	10.31	13.48
2015-16	330.7	316.69	2.32	-7.28	2.32	85.21	8.17	10.60	-75.83
2016-17	354.93	348.57	5.20	2.88	5.2	113.03	27.82	32.65	124.14
2017-18	364.46	340.95	4.63	-0.57	4.63	116.72	3.69	3.26	-10.96
2018-19	428.54	421.26	5.18	0.55	5.18	121.91	5.19	4.45	11.88
2019-20	511.71	509.72	0.79	-4.39	0.79	123.33	1.42	1.16	-84.74
2020-21	556.09	542.84	8.70	7.91	8.70	132.03	8.70	7.05	1001.26

Source: Annual Reports of the Himachal Pradesh Gramin Bank

The progress made by the bank in terms of making profits for the period under study has been presented in Table 4, which shows the level of income, pattern of expenditure, and amount of profits and losses. On analysis of the income status of the bank, an increase of Rs. 217.48 crore has been noticed in the year 2013-2014 over the previous year 2012-2013. An increasing trend in the amount of income has been observed during the entire period of study, showing a level between Rs. 29.23 crore and Rs. 428.54 crore. On the other hand, the amount of expenditures incurred by the bank during the entire period of the study has also reciprocated with an increasing trend, showing a level between Rs. 28.91 crore and Rs. 421.26 crore. Although the merger and acquisition of Parvatiya Grain Bank took place during the study period in 2012-13, due to the simultaneous trends in income and expenditure, the bank could not maintain its consistent level of healthy profits during the entire period of study. On analysis of profit and loss, it is observed that the bank could earn a maximum profit of Rs. 9.6 crore in the year 2014-15, immediately after one year of mergers and acquisitions, but afterwards, it could earn profits ranging from Rs. 2.32 crore to Rs. 5.18 crore until the end of the 2018-19 fiscal year. From the analysis, it is observed that the bank needs to focus on its progress in terms of making profits during the coming years.

In 2012-13, the bank earned Rs. 63.49 crore in accumulated profits, which increased to Rs. 69.84 crore in 2013-14, representing a 10% increase over the previous year. The level of accumulated profits has been increasing throughout the study period, with a maximum growth of 32.65% observed in the year 2016-17 over the year 2015-16 with an amount of Rs. 27.82 crore. The bank could not maintain this level of growth percentage in the coming years and touched the minimum level of 3.26% in the year 2017-18. Although the rate of growth has slightly increased in the year 2018-19, the bank needs to focus on its profitability trend with certain strategies to achieve a solid profitability position in the coming years.

Correlation Analysis

The correlation is a measure of the strength of the relationship between two variables. In correlation analysis, variables are measured simultaneously, so a cause-and-effect relationship can be established. To analyse the relationship between deposits and investments or deposits and advances, we used correlation analysis. In the present study, a correlation is found between:

Table 5: Deposits and Investments Trend of the Bank (Amount in crores)

Years	Deposits (X)	Investments (Y)
2012-13	2158.64	550.14
2013-14	2465.27	603.49
2014-15	2941.71	611.3
2015-16	3318.56	898.72
2016-17	4056.94	1641.29
2017-18	4468.38	1479.64
2018-19	5097.92	1965.01
2019-20	5811.13	3113.04
2020-21	6478.15	4468.28

Table 6: Deposits and Advances Trend of the Bank

Years	Deposits (X)	Advances (Y)
2012-13	2158.64	897.97
2013-14	2465.27	973.06
2014-15	2941.71	1034.57
2015-16	3318.56	1217.52
2016-17	4056.94	1383.28
2017-18	4468.38	1545.32
2018-19	5097.92	1845.9
2019-20	5811.13	2202.12
2020-21	6478.15	2627.63

Table 7: Correlation between Deposits and Investments of the Bank

		Deposits	Investments
Deposits	Pearson Correlation	1	.988**
	Sig.(2-tailed)		.000
	N	9	9
Investments	Pearson Correlation	.988**	1
	Sig.(2-tailed)	.001	
	N	9	9

**Correlation at Significant Level of 0.01(2-tailed)

The table 7 represents the correlation between deposits and investments at the bank. A significant and positive correlation ($r = 0.99$, $p 0.01$) was found at the 0.01 level of significance. Hence, there is a significant relationship between deposits and investments at the bank during the study period.

Table 8: Correlation between Deposits and Advances of the Bank

		Deposits	Advances
Deposits	Pearson Correlation	1	.988**
	Sig.(2-tailed)		.000
	N	9	9
Advances	Pearson Correlation	.988**	1
	Sig.(2-tailed)	.001	
	N	9	9

**Correlation at Significant Level of 0.01(2-tailed)

Table 8 represents the correlation between deposits and advances at the bank. A significant and positive correlation ($r = 0.99$, $p 0.01$) was found at the 0.01 level of significance. Hence, there is a significant relationship between deposits and advances at the bank during the study period.

Findings and Recommendations

Findings

1. The Himachal Pradesh Gramin Bank, which came into existence as the result of the amalgamation of two RRBs, viz., the Himachal Gramin Bank (sponsored by the Punjab National Bank) and the Parvatiya Gramin Bank (sponsored by the State Bank of India), The bank is authorised to affect banking transactions as permitted under Section 5(b) of the Banking Regulation Act, 1949. The analysis is focused on Himachal Pradesh Gramin Bank for the last ten years, i.e., 2012–13 to 2020–21.

2. The authorised capital of Himachal Pradesh Gramin Bank was Rs. 50 crores from 2012–13 to 2014–15, which was increased to Rs. 200 crores in the year 2015–16 and remained at the same level till 2018–19. This increase resulted in a growth of 671.80% over the year 2014–15. Paid-up capital has been observed at the same level until the years 2020–21. The annual compound growth rate was recorded at 67.18% during the period under study. All of this indicates that the bank could increase its paid-up capital in 2015-16 in order to strengthen the bank's capital base following a merger and acquisition.
3. The bank came into existence on February 15th, 2013 after amalgamation, which noticed a fluctuating branch expansion trend during the period under study. During the study years 2012–13 to 2018–19, the bank opened 77 new branches on the recommendations of different members of the Board of Directors in its area of operation. With the result of this initiative, the total number of branches reached 265 as of March 31, 2021. If we analyse the branch expansion scenario between the years 2012–13 and 2020–21, a growth of 40.95% has been observed. An annual compound growth rate of 5.18% has been noticed in branch expansion during the entire study period.
4. On the basis of the analysis of deposit mobilization, an increasing trend has been noticed with a consistent level of growth ranging from 10.14% to 22.25%. With increasing trends in deposit amounts, the bank reached a level of Rs. 6478.15 crores in 2020-21. Since the efficiency of the bank largely depends on the individual efficiency of the branches, per-branch deposits were also analysed and noticed, with a maximum average deposit of Rs. 22.25 crores per branch in the year 2016–17. Throughout the study period, an annual compound growth rate of 13.14 percent was recorded.
5. The maximum growth in advances was observed in 2017-18, at 27.46%, with the amount of outstanding advances standing at Rs. 323.31 crores. The overall scenario of outstanding advances is fluctuating during the period under study; hence, the bank needs to frame a sound credit policy by introducing attractive loan schemes with competitive rates of interest. An annual compound growth rate of 11.60% has been noticed during the entire period of study.
6. The bank raised the maximum amount of borrowings to the tune of Rs. 926.62 crores in the year 2020–21, while the minimum amount of Rs. 184.08 crores was raised in the first year of the study period, i.e., 2012–13. Throughout the study period, a fluctuating trend in the amount of borrowings was observed. On analysis, it is further observed that the maximum level achieved in the years 2020–21 is also a result of the merger and acquisition of Parvatiya Gramin Bank working in the state of Himachal Pradesh Bank, which achieved an annual compound growth rate of 40.62% during the period under study.
7. The bank maintained this level of owned funds until 2020-21, but with a 2.04% decrease in percentage. Significant shares of deposits have been observed during the entire period of study. On analysis of deposits mobilized, an increase in amount of deposits has been noticed from the year 2013–14; in the year 2015–16, it was noticed at Rs. 3318.56, and the percentage share was found at 87.88%. Under the study period, an increasing trend has been observed in the amount of deposits as well as its percentage share till the year 2019–20.

8. An increasing trend in the amount of income has been observed during the entire period of study, showing a level between Rs. 29.23 crore and Rs. 428.54 crore. On the other hand, the amount of expenditures incurred by the bank during the entire period of the
9. study has also reciprocated with an increasing trend, showing a level between Rs. 28.91 crore and Rs. 421.26 crore. Although the merger and acquisition of Parvatiya Grain Bank took place during the study period in 2012–13, due to the simultaneous trends in income and expenditure, the bank could not maintain its consistent level of healthy profits during the entire period of study.
10. It is observed that the bank needs to focus on its progress in terms of making profits during the coming years. In 2012-13, the bank earned Rs. 63.49 crore in accumulated profits, which increased to Rs. 69.84 crore in 2013-14, representing a 10% increase over the previous year. The level of accumulated profits has been observed with an increasing trend during the entire period of study, and a maximum growth rate of 32.6 percent has been observed. Although the rate of growth has slightly increased in the year 2018-19.
11. It is concluded that the correlation between deposits and investments at the bank is significant and highly positive ($r = 0.99$, $p 0.01$) and was found at the 0.01 level of significance. Hence, there is a significant relationship between the deposits and investments of the bank during the study period. The correlation between the bank's deposits and advances was significant and positive ($r = 0.99$, $p 0.01$), and it was discovered at the 0.01 level of significance. Hence, there is a significant relationship between deposits and advances at the bank during the study period.

Recommendations

The findings of the study can be successfully analysed for the overall improvement and development of the Himachal Pradesh Gramin Bank. The recommendations based on the findings are as follows:

1. Although the bank has made considerable efforts in the field of branch expansion, more needs to be done in this area by opening more viable branches in unbanked and rural areas with potential and providing banking facilities at the doorstep of potential customers to strengthen the financial inclusion mission of the state and country.
2. Deposit mobilisation being a hub of banking activities, increasing attention has been paid to this aspect by the Rural Bank of the State, but more can be done in this regard by intensifying the saving campaign in rural areas by all possible means. The bank must identify more appealing deposit schemes through various deposit mobilisation and awareness campaigns in potential areas in District Kullu, Mandi, and Una.
3. In order to achieve credit expansion, the pattern of credit development should be diversified, and qualitative dimensions should be achieved with the desired distribution pattern of farm credit among different sizes and groups of farmers. The bank needs to introduce client-friendly credit schemes with an appropriate scale of finances, attractive interest rates, and convenient terms and norms.
4. The bank needs to launch customer awareness campaigns and loan fairs at the village level from time to time for the creation and retention of customers, along with the introduction of diversified loan schemes.
5. To ensure an effective credit creation process, the bank needs to adopt a target-oriented approach to achieve a good amount of credits by allocating quarterly, half-yearly, and annual targets for branch managers with an effective review and appraisal process.

6. The bank is required to introduce priority lending schemes keeping in mind the priorities and schemes like "Make in India," "Start Up India," "Digital India," etc.
7. Advances should be granted with a proper assessment of needs, cash accruals, and repaying capacity of the borrowers and complete documentation without delay with simple KYC norms to reduce the possibility of default in recovery.
8. A focus on the control of operating and non-operating expenditures is required by the bank to enhance the profitability trend of the bank in the future. Although the bank is already on the path to branch automation, it still needs to develop an efficient cost-volume-profit relationship technique in order to control costs and increase profits.

Suggestions

By opening more branches in respective areas, the bank should expand its area of operation to include the entire state of Himachal Pradesh.

1. The bank needs to introduce an effective online and mobile banking system by developing an independent and effective app for this purpose.
2. To increase its customer base, the bank should open branches in underserved areas and increase the number of ATMs in and out of its service area.
3. To make its branches competitive and versatile with those of other commercial banks, a bank should strengthen its core banking network by including 100% of its branches under it.
4. The bank is required to diversify its banking operations by launching new schemes to mobilise deposits and enhance credit.

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