

Performance of Regional Rural Banks in Punjab- A Financial Perspective

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ABSTRACT

The rapid expansion of Regional Rural Banks (RRBs) has significantly helped in reducing the regional disparities of the banking facilities in India. RRBs have successfully achieved its objective of taking banking to doorsteps of rural households of India. They have also provided easy and affordable credit to weaker sections of rural areas those earlier were dependent on private lenders. However, the ability of the banks to better serve these sections of society is dependent upon the financial performance. Therefore, the rationale of the present study is to analyze the financial performance of selected Regional Rural Banks of Indian Punjab region namely Punjab Gramin Bank and Malwa Gramin Bank using CAMEL Model. The study has covered the period of 5 years i.e. from the financial year 2011-2012 to the financial year 2015-2016. As per the results of the study Malwa Gramin Bank was found to be better in comparison to Punjab Gramin Bank, based on its overall CAMEL ratios and Compound Annual Growth Rate values. Further, the results of t-test revealed that there is statistically significant difference between the banks based upon selected CAMEL ratios.

Keywords: Regional Rural Banks, Financial Performance, CAMEL Model, CAGR

I. INTRODUCTION

Regional Rural Banks (RRBs)

Regional Rural Banks have been in existence for about three decades in the Indian financial system. The origin of the Regional Rural Banks was for a stronger institutional arrangement for providing rural credit. These banks have been formed with a vision to provide with necessary banking and monetary services mainly in the rural areas of India. Foundation of RRBs can be seen as an exclusive experimentation as well as experience in providing the effective rural credit delivery mechanism in India (Ahmed, 2013). RRBs are formed with joint shareholding by Central Government, the State Government, and the Sponsor Bank.

The nationalization of the banks in the year 1969, boosted the confidence of the public in the banking system of the country. However, in the early 1970s, there were cultural issues which made it difficult for commercial banks to lend to farmers. This issue was taken up by the government by setting up Narasimham Working Group in 1975. On the basis of this committee's recommendations, a Regional Rural Banks Ordinance was promulgated in September 1975. Based upon that, RRB Act 1976 was enacted, to provide enough banking and credit facility for agriculture and other rural sectors (Kumar and Aggarwal, 2017). The coverage of RRBs is restricted to the area as notified by Government of India covering at least one district in the State.

The primary area of concern for these banks is

- Providing banking services to rural and semi-urban areas.
- Payment of wages of MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act) workers, giving out of pensions etc.
- Utility banking facilities such as locker facilities, debit and credit cards (Geetha, 2016).

These banks are required to prepare the financial statements as per Section 29 of the Banking Regulation Act (1949). These statements have to be published in the form of balance sheet (Form A) and profit and loss statement (Form B) on 31st March every year as per schedule 3. These financial statements include specific variables which are significant for analysing the financial performance of the banks. In this regard, the present study has calculated ratios from the respective variables to measure and compare the performance of banks.

II. CURRENT SCENARIO OF REGIONAL RURAL BANKS IN PUNJAB

There are three major RRB's in Punjab.

1. Malwa Gramin Bank- This bank is sponsoring bank of State Bank of Patiala and was established in 1986 with Rs 1.00 crore capitals. It has 83 branches in five districts of Punjab in total, out of which 77 are in rural area, 5 in a semi-urban area and 1 in an urban area.
2. Punjab Gramin Bank- This bank is a sponsor bank of Punjab National Bank which came into existence in 2005. This Bank has come into existence after the amalgamation of three RRB's (Kapurthala Ferozpur Kshetra Gramin Bank, Gurdaspur Amritsar Kshetra Gramin Bank, Shivalik Kshetra Gramin Bank). PGB have 284 branches in 13 districts of Punjab and it is operating on essentially strong and sound banking operations
3. Satluj Gramin Bank- Sutlej Gramin Bank is sponsored by Punjab & Sind Bank was established on 22nd March 1986 under RRB Act 1976. The Bank has 31 branches.

III. LITERATURE REVIEW

A lot of studies have been conducted on the regional rural Banks of Indian Banking industry. However the following studies have been conducted on examining the financial status of Indian Banks. The study by Pal and Sura (2006) concluded that from the year 1975 to 2005 the credit spread by RRB's across India was inadequate. In addition, RRBs account for a very small proportion (around 3 percent) of the disbursement of credit of the Indian banking sector (Kanika and Nancy, 2013). Another study by Ahmed (2013) reveals that the scenario was extremely terrible as far as the customer base for RRBs concerned. The study found that RRBs were not in a position to deploy credit for socio-economic development alike Indian commercial banks due to low capital base. But over a period of time the performance of the Gramin Banks have significantly improved on the parameters of number of bank branches, deposits, loans, investments and growth (Sivaiah, 2016). As far as the comparison is concerned, Reddy and Prasad (2011), in the state of Andhra Pradesh revealed that Andhra Pragathi Grameena Bank rated top on the basis of overall performance parameters of CAMEL Model.

For analysing and comparing the financial position of other banks, CAMEL ratios have been regarded as most important tool to examine financial performance. In this regard, Mishra and Aspal, 2012 found that in terms of Capital Adequacy parameter SBBJ (State Bank of Bikaner and Jaipur) and SBP (State Bank of Patiala) were at the top position, while SBI (State Bank of India) got the lowest rank. In another study, Bansal and Mohanty (2013) showed that HDFC Bank attained 1st Rank; SBI, 2nd Rank; Kotak Mahindra Bank: 3rd Rank; ICICI Bank: 4th Rank; AXIS Bank at 5th Rank. Similarly the studies have been conducted to compare the different banks either in private sector, public sector or both (Lall and Aggarwal, 2017; Mohanty, 2017).

IV. NEED AND OBJECTIVES OF THE STUDY

RRB's have become integral part of Indian Banking sector as these banks are helpful in providing banking facilities to rural population at affordable cost. These banks are also helpful for its customers as they are encouraging rural peoples for savings and channelize them for supporting industrious activities in the rural areas, generating employment opportunities in rural areas which have contributed to economic development of rural population. (Kumar, Goyal and Sharma, 2017).

Due to the great contribution of RRB's in Indian Financial System a need arises to evaluate the performance of these banks. Examining the performance helps the RBI to have closer look on the function of these banks and also helps to identify Low performers and make policies accordingly. In order to evaluate the financial position of a bank CAMEL is a widely used model as indicated by several studies. (Kausar, Saba, 2012; Reddy, Prasad, 2011; Mohanty, 2017; Lall, Aggarwal, 2013). Hence, the present study has taken into consideration the financial tool i.e. Camel Model to analyse the financial performance of RRB's of Punjab. The following are the specific objectives of the study-

- To examine the financial position of Gramin banks of Punjab namely Punjab Gramin Bank and Malwa Gramin Bank.
- To make a comparison of these banks on the basis of different financial ratios.
- To suggest various measures for improving the financial status of RRBs of Punjab.

V. RESEARCH METHODOLOGY

Sample

In this study, a particular region i.e. Indian Punjab has been selected from which two banks (Punjab Gramin Bank and Malwa Gramin Bank) have been taken as sample for comparison.

Hypothesis

- Null Hypothesis (H_0) - There is no significant difference between the respective ratios of both the banks.
- Alternate Hypothesis (H_1) - There is significant difference between the respective ratios of both the banks.

Data Sources

The data collected for the purpose of research is mainly secondary data. The financial statements of these banks have been retrieved from the head office of bank by visiting personally and official websites of both the banks.

Time period

The study takes into account the financial data of the two banks of 5 consecutive years from 2011-12 to 2015-16 respectively.

Tools for data analysis

Financial tools (Camel Ratios)

C	A	M	E	L
Capital Adequacy Ratio	Asset Quality Ratio	Management Efficiency Ratio	Earning Quality Ratio	Liquidity Ratio
Debt to Equity	Total investments to Total assets	Total advances to Total deposits	Spread to Total Asset	Liquid assets to Total assets
Advance to Assets	Deposit to Asset	Net Profit to No. of Branches	Net profit to Assets	Liquid assets to Demand deposits
Government securities to Total investments	Fixed Asset to Total Asset	Total Asset to No. of Branches		Liquid assets to Total deposits

Statistical tools

CAGR (Compound Annual Growth Rate)

The compound annual growth rate (CAGR) is used to determine growth over multiple time periods. The formula for CAGR is:

$$CAGR = (CYV / BYV)^{1/n} - 1$$

Where:

BYV = Base year value

CYV = Current year value

n = Number of periods (months, years, etc.)

In this research paper CAGR is taken as a base for the comparison of ratios of both banks.

T-test

A t-test is an analysis of two population's means through the use of statistical examination; a t-test with two samples is commonly used with small sample sizes, testing the difference between the samples. In the present study t-test has been applied to examine the difference between the means of ratios of both the banks (Punjab Gramin Bank and Malwa Gramin Bank).

Limitation

Every research has a limitation as all the knowledge could not be collected in a specified time. In this study limited ratios have been considered depending upon the data availability. Moreover, only two banks have been selected for analysis and period taken is five years only.

VI. DATA ANALYSIS

CAMEL RATIOS

CAPITAL ADEQUACY RATIO

The capital adequacy ratio is developed to make sure that banks can take up a reasonable level of losses occurred due to functioning losses and determine the capacity of the bank in meeting the losses. The higher the ratio is preferred as the more will be the protection of investors. The following are the ratios under capital adequacy ratio- Debt Equity Ratio, Advance to Asset Ratio and Government Securities to Total Asset Ratio.

Table 1

Capital Adequacy Ratios						
YEAR	Debt to Equity Ratio		Advance to Asset Ratio		Govt. Securites to Total Asset Ratio	
	PGB	MGB	PGB	MGB	PGB	MGB
2011-12	9.33	9.49	13.76	7.7	13.5	0.91
2012-13	9.56	9.98	11.82	8.41	8.87	0.7
2013-14	12.63	10.19	13.1	9.56	6.39	0.8
2014-15	12.64	11.69	9.35	8.82	4.88	0.5
2015-16	11.12	10.77	9.82	8.48	6.8	0.56
CAGR	4.48	3.23	-8.08	2.45	-15.66	-11.39
AVERAGE	11.05	10.43	11.57	8.59	8.09	0.69
S.D	1.59	0.84	1.94	0.67	3.34	0.16
T-VALUE	0.77		3.22		-1.00	
P-VALUE	0.46		0.12		0.34	

Source- Secondary data available from financial statements of PGB and MGB banks compiled by MS-Excel

The Debt Equity ratio indicates the company's dependence on borrowed funds and its ability to meet financial obligations. As per the Table 1, the Debt Equity Ratio is 11.05 times and 10.43 times. It shows that this ratio is healthy for both the banks as it can be considered as adequate upto 15:1 in case of banking industry (Mohanty, 2014). The standard deviation of PGB and MGB is 1.59 and 0.84 respectively. It shows the high variability in PGB as compared to MGB. Debt Equity ratio of MGB has compound annual increase of 3% and in the case of PGB, the ratio is also increasing with a compound rate of 4% from the year 2011-12 to 2015-16. This shows higher growth for PGB in comparison to MGB. Further, results of the t-test ($p=0.46$; $t=0.77$) accepted the null hypothesis (H_0) at 5% level of significance. Therefore, there is no significant difference between PGB and MGB with respect to Debt Equity Ratio.

The Advance to Asset ratio indicates the bank's efforts in lending credit which ultimately results in better profitability. As per Table 1, the Advance to Asset Ratio is 11.57 and 8.59 times. The higher the ratio, the more the loan-assets created from deposits (Mohanty, 2017). Hence, it can be stated that PGB has lent more credit with higher efficiency as compared to MGB. In addition, Standard Deviation of PGB and MGB is 1.94 and 0.67 respectively. It shows the high variability in PGB as compared to MGB. Advance to Asset ratio of MGB have compound annual increase of 2% but in the case of PGB, the ratio is decreasing with a compound rate of 8% from the year 2011-12 to 2015-16. This shows that the ratio of PGB has decreased. Further the results of t-test, ($p=0.12$, $t=3.22$) accepts the null hypothesis (H_0) at 5% level of significance. Therefore, there is no significant difference between ratios of PGB and MGB.

The Government Securities to Total Asset ratio is an important indicator which shows the risk-taking ability of the bank. As per Table 1, Govt. Securities to Total Asset ratio is 8.09 and 0.69 times. Higher the ratio more will be the risk-free assets in the total asset held by a bank (Mohanty, 2017). Thus it shows that PGB has more secure assets as compared to MGB. Standard Deviation of PGB and MGB is 3.3 and 0.1 respectively. It shows the high variability in PGB as compared to MGB. Govt. Securities to Total Asset ratio of MGB has compound annual decrease of 11% and in the case of PGB, the ratio is also decreasing with a compound rate of 15% from the year 2012 to 2016. This shows that the ratio of PGB has decreased more. The results of t-test, accepts the null hypothesis (H_0) as $p=0.34$, $t=-1.00$ at 5% level of significance. Therefore, there is no significant difference between PGB and MGB for this particular ratio.

ASSETS QUALITY RATIO

The quality of asset is an important parameter to measure the strength of the bank. The prime motto behind measuring the assets quality is to ascertain the component of non-performing assets as a percentage of the total assets. This ratio further indicates various types of advances made by the bank in order to generate interest income. The ratios necessary to assess the assets quality are: Total Investment to Total Asset Ratio, Deposit to Asset Ratio and fixed Asset to Total Asset Ratio.

Table 2

YEAR	Asset Quality Ratios					
	Total Investment to Total Asset Ratio		Deposit to Asset Ratio		Fixed Asset to Total Asset	
	PGB	MGB	PGB	MGB	PGB	MGB
2011-12	13.85	2.43	23.21	8.66	0.08	0.01
2012-13	9.13	2.08	19.54	8.79	0.07	0.01
2013-14	6.58	2.34	17.12	9.77	0.07	0.02
2014-15	5.01	1.95	14.89	8.7	0.06	0.02
2015-16	6.94	1.85	15.3	8.92	0.06	0.02
CAGR	-15.85	-6.51	-9.88	0.74	-8.66	23.31
AVERAGE	8.3	2.13	18.01	8.972	0.07	0.01
STD DEV	3.43	0.24	3.43	0.46	0	0
T-VALUE	4.01		5.83		10.43	
P-VALUE	0.01		0.00		0.00	

Source- Secondary data available from financial statements of PGB and MGB banks compiled by MS-Excel

The Total Investment to Total Asset Ratio indicates the extent of use of assets in investment as against advances. This ratio is used as a tool to measure the percentage of total assets protected up in investments, which, does not form part of the core income of a bank. (Reddy and Prasad, 2011). As per Table 2, the Total Investment to Total Asset Ratio is 8.3 and 2.13 times. This shows that PGB has used its assets more in investment. Standard Deviation of PGB and MGB is 3 and 0.2 respectively. It shows the high variability in PGB as compared to MGB. Total Investment to Total Asset ratio of MGB have compound annual decrease of 6% and in the case of PGB, the ratio is also decreasing with a compound rate of 15% from the year 2011-12 to 2015-16 . This shows that the ratio of PGB has decreased more. Further, the figures of t-test, ($p=0.01$, $t=4$) rejects the null hypothesis (H_0) at 5% level of significance. Therefore, there is a significant difference between the ratios of PGB and MGB.

The ratio of Total deposits to Total assets is calculated by Total deposits divided by Total assets (Rostami, 2015). As per Table 2, the Deposit to Total Asset Ratio is 18.01 and 8.97 times. It depicts that PGB has created more deposits out of total assets as compared to MGB. Standard Deviation of PGB and MGB is 3.4 and 0.6 respectively. It shows the high variability in PGB as compared to MGB. The ratio of MGB have compound annual increase of 0.7% and in the case of PGB, the ratio is decreasing with a compound rate of 9.8% from the year 2012 to 2016. This shows that the ratio of PGB has decreased. From the above figures of t-test, ($p=0.00$, $t=5.8$) means null hypothesis (H_0) is being rejected at 5% level of significance. Therefore, the ratios of PGB and MGB are significantly different with respect to this ratio.

The Fixed Asset to Total Asset ratio indicates the total fixed assets in proportion to total assets. It is calculated by dividing F.A by T.A (Rostami, 2015) .As per Table 2, Fixed Asset to Total Asset Ratio is 0.07 and 0.01times. This shows that PGB has slightly more fixed assets as compared to MGB. Standard Deviation of PGB and MGB is 0 and 0 respectively .The ratio of MGB have compound annual increase of 23% and in the case of PGB, the ratio is decreasing with a compound rate of 8% from the year 2011-12 to 2015-16 . This shows that the ratio of PGB has decreased. From the above figures of t-test, ($p=0.00$, $t=10.4$) rejects the null hypothesis (H_0) at 5% level of significance. Therefore, there is a significant difference between the ratios of PGB and MGB.

MANAGEMENT EFFICIENCY RATIO

It is an important element of the CAMEL Model. Ratio's in this part involves subjective analysis to measure the efficiency and effectiveness of management. The management of bank takes crucial decisions depending on its risk awareness. The ratios used to evaluate management efficiency are Total Advance to Total Deposit Ratio, Net Profit to no. of branches, Total assets to no. of Branches.

Table 3

Management Efficiency Ratios	
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YEAR	Total Advance to Total Deposit Ratio		Net Profit to No. of Branches		Total Assets to No. of Branches	
	PGB	MGB	PGB	MGB	PGB	MGB
2011-12	0.59	0.88	746.09	1184.57	3991	9036.87
2012-13	0.6	0.95	1637.15	1635.03	5551.41	10307.1
2013-14	0.76	0.97	1554.16	1750.06	7207.55	10840.9
2014-15	0.62	1.01	1813.45	1781.22	9891.81	14024.2
2015-16	0.64	0.95	2070.56	2152.14	11506.3	15543.8
CAGR	1.99	1.69	29.06	16.09	30.3	14.52
AVERAGE	0.64	0.95	1564.28	1700.6	7629.62	11950.6
STD DEV	0.06	0.04	498.31	347.64	3077.46	2721.8
T-VALUE	-8.41		-0.50		-2.35	
P-VALUE	0.00		0.62		0.04	

Source- Secondary data available from financial statements of PGB and MGB banks compiled by MS-Excel
The Total Advances to Total Deposit Ratio measures the efficiency and ability of the bank's management in converting the deposits available with the bank excluding other funds like equity capital, etc. into high earning advances (Waraich and Dhawan, 2016). As per Table 3, the Total Advances to Total Deposit Ratio is 0.64 and 0.95 times. Hence, it depicts that MGB has created more advances from its deposits as compared to PGB. Standard Deviation of PGB and MGB is 0.06 and 0.04 respectively. It shows the high variability in PGB as compared to MGB. Total Advances to Total Deposits ratio of MGB have compound annual increase of around 2% and in the case of PGB; the ratio is also increasing with a compound rate of around 1% from the year 2012 to 2016. This shows that the ratio of PGB has increased less. From the above figures of t-test, p value is 0.00 ($t=-8$) rejects the null hypothesis (H_0) at 5% level of significance. Therefore, the ratios of PGB and MGB are significantly different.

The ratio **N.P to No. of Branches** indicates that how much N.P is earned by a single branch. The N.P is divided by No. of branches so as to ascertain the profit per branch (Rostami, 2015). This ratio reveals the ability of management's efficiency in earning profits. As per Table 3, 1564 and 1700 times are profit per branch. This shows that MGB branches are more profitable in comparison to PGB Standard Deviation of PGB and MGB is 498 and 347 respectively. It shows the high variability in PGB as compared to MGB. The ratio of MGB has compound annual increase of around 16% and in the case of PGB; the ratio is also increasing with a compound rate of around 29% from the year 2011-12 to 2015-16. This shows that the ratio of PGB has increased more. From the above figures of t-test, p value is 0.62 ($t=-0.5$) which accepts the null hypothesis (H_0) at 5% level of significance Therefore, there is no difference between ratios of PGB and MGB.

The Total Assets to No. of Branches ratio states the number of assets by each branch. It is calculated by dividing the T.A by number of branches of the bank. The more the assets the more will be the share of each branch. As per table 3, the assets per branch of both the banks are 7629 and 11950 times. Thus, it shows that MGB has more assets per branch as compared to PGB. The Standard Deviation of the banks is 3077 and 2721 respectively. It shows the high variability in PGB as compared to MGB. The ratio of MGB has compound annual increase of around 14% and in the case of PGB; the ratio is also increasing with a compound rate of around 30% from the year 2011-12 to 2015-16. This shows that the ratio of PGB has increased more. The figures of t-test, reveals that p value is 0.04 ($t=-2.3$) rejects the null hypothesis (H_0) at 5% level of significance. Therefore, there is a significant difference between ratios of PGB and MGB.

EARNING QUALITY RATIO

Table 4

YEAR	Earning Quality Ratios			
	Spread to Total Asset Ratio		Net Profit to Asset Ratio	
	PGB	MGB	PGB	MGB
2011-12	0.89	0.37	18.69	13.10
2012-13	0.78	0.37	29.49	15.86
2013-14	0.67	0.40	21.56	16.14

2014-15	0.57	0.36	18.33	12.70
2015-16	0.57	0.42	17.99	13.84
CAGR	-10.41	3.17	-0.94	1.37
AVERAGE	0.69	0.38	21.21	14.33
STD DEV	0.13	0.02	4.83	1.58
T-VALUE	4.95		3.02	
P-VALUE	.00		.01	

Source- Secondary data available from financial statements of PGB and MGB banks compiled by MS-Excel

Spread is the difference between the interest earned and interest expended is another good indicator of the value of the bank. For the greater spread, the banks should keep their interest low on deposits and high on advances to increase their earnings capacities (Bawa, 2017). As per Table 4, the Spread to Total Asset Ratio is 0.69 and 0.38 times. This shows that PGB has a greater spread ratio as compared to MGB. Standard Deviation of PGB and MGB is 0.13 and 0.02 respectively. It shows the high variability in PGB as compared to MGB. Spread to T.A ratio of MGB has compound annual increase of 3% but in the case of PGB, the ratio is decreasing with a compound rate of 10% from the year 2011-12 to 2015-16. This shows that the ratio of PGB has decreased more. The results of t-test revealed that the p value is 0.00 ($t=4.95$) which rejects the null hypothesis (H_0) at 5% level of significance. Therefore, there is a significant difference between the ratios of PGB and MGB.

The Net Profit to Total Asset ratio measures return on assets employed or the efficiency in utilization of assets. As per Table 4, Net Profit to Total Asset ratio of MGB and PGB is 21.21 and 14.33%. This shows that PGB has more net profit in comparison to MGB. The Standard Deviation of both the banks is 4.83 and 1.58 respectively. It shows the high variability in PGB as compared to MGB. From the year 2011-12 to 2015-16, MGB have compounded annual increase of 1.3% but in the case of PGB, the ratio is decreasing with a compound rate of 0.9%. This shows that N.P to T.A ratio of PGB has decreased more. The figures of t-test ($p=0.01, t=3.02$) rejects the null hypothesis (H_0) at 5% level of significance. Therefore, there is a significant difference between the N.P to T.A ratio of PGB and MGB.

LIQUIDITY RATIO

Risk of liquidity is an annoyance to the image of the bank. Bank has to take a proper care to hedge the liquidity risk; at the same time ensuring a good percentage of funds are invested in high return generating securities so that it is in a position to generate profit with providing liquidity to the depositors.

Table 5

YEAR	Liquidity Ratios					
	Liquid Asset to Total Asset Ratio		Liquid Asset to Demand Deposit Ratio		Liquid Assets to Total Deposits	
	PGB	MGB	PGB	MGB	PGB	MGB
2011-12	5.80	2.61	25.01	30	5.22	5.16
2012-13	6.47	2.88	33.11	33	4.08	4.24
2013-14	10.49	2.82	61.26	29	4.08	4.14
2014-15	9.86	3.63	66.23	41.72	3.87	4.22
2015-16	3.66	3.17	23.96	35.63	3.74	4.24
CAGR	-10.84	4.96	-1.06	4.18	-8.0	-4.81
AVERAGE	7.26	3.02	41.91	33.86	4.20	4.40
STD DEV	2.86	0.39	20.31	5.08	0.58	0.42
T-VALUE	3.27		0.86		-.62	
P-VALUE	.02		0.43		0.54	

Source- Secondary data available from financial statements of PGB and MGB banks compiled by MS-Excel

The Liquid Asset to Total Asset Ratio measures the overall liquidity position of the bank. The liquid asset includes cash in hand, balance with institutions and money at call and short notice. The total assets include the revaluation of all the assets. As per Table 5, the Liquid Asset to Total Asset Ratio of the banks is 7.26 and 3.02 times. This depicts that PGB has more liquid assets in relation to total assets. Standard Deviation of PGB and MGB is 2.86 and 0.39 respectively. It shows the high variability in PGB as compared to MGB. The L.A to T.A ratios of MGB from the year 2011-12 to 2015-16 has compounded annual increase of 4% but in the case of PGB, the ratio is decreasing with a compound rate of 10%. This shows that L.A to T.A ratio of PGB has decreased more. The figures of t-test reveals ($p=0.02, t=3.2$) and rejects the null hypothesis (H_0) at 5% level of significance. Therefore, there is a significant difference between the L.A to T.A ratio of PGB and MGB.

The Liquid Assets to Demand Deposits ratio is used to measure the capability of the bank to meet the demand depositor in a particular period. To offer higher liquidity for them, the bank has to invest these funds in highly liquid form. As per Table 5, the Liquid Assets to Demand Deposits Ratio are 41.9 and 33.8. Hence, it reveals that PGB again has more liquid assets in relation to demand deposits as compared to MGB. Standard Deviation of PGB and MGB is 20.3 and 5.0 respectively. It shows the high variability in PGB as compared to MGB. L.A to D.D ratios of MGB from the year 2011-12 to 2015-16 have compounded annual increase of 4% but in the case of PGB, the ratio is decreasing with a compound rate of 1%. This shows that L.A to T.D ratio of PGB has decreased more. The figures of t-test, ($p=0.4$, $t=0.8$) accepts the null hypothesis (H_0) at 5% level of significance. Therefore, there is no significant difference between the L.A to D.D ratio of PGB and MGB.

The Liquid Assets to Total Deposits ratio measures the liquidity available to the total deposits of the bank. As per Table 5, the Liquid Assets to Total Deposits ratio is 4.20 and 4.40. This shows that both the banks have quite same ratio of liquid assets in relation to total deposits. Standard Deviation of PGB and MGB is 0.5 and 0.4 respectively. It shows the high variability in PGB as compared to MGB. The L.A to T.D ratio of MGB has started decreasing from the year 2011-12 to 2015-16 have compounded decrease of 4.8% same is the case of PGB, but according to compounded annual growth rate the ratio of PGB has decreased more i.e. 8%. This shows that L.A to T.D ratio of PGB has decreased more. The figures of t-test reveals that $p=0.54$ ($t=-0.62$) and accepts the null hypothesis (H_0) at 5% level of significance. Therefore, there is a no significant difference between the L.A to T.D ratio of PGB and MGB.

SUGGESTIONS AND CONCLUSION

1. According to the debt-equity ratio of both the banks PGB has the higher ratio which is good but it is increasing year by year which is not a good indicator of financial leverage of a bank. PGB should not deploy much debt as compared to the equity as would be a burden on the management to give more interest out of profit.
2. The advance to asset ratio of MGB is less as compared to PGB, which shows that MGB is inefficient in converting their deposits into advances. So, they should make strategies to avail more loans to their customers either short or long term loans (Ahmed, 2013).
3. MGB has very less govt. securities ratio as compared to PGB which defines that it has less secure assets. MGB should pool more money towards govt securities so as to have a strong investment portfolio.
4. According to management efficiency ratios MGB has outperformed PGB which indicates that MGB has a good management and skilled staff as it is successful in earning more profits. PGB should train their staff to be more efficient in deriving more profit for the bank (Geetha, 2016).
5. Major factor behind low average figures of MGB is less branch network. PGB has a wide branch network due to which it is efficient in every financial aspect and customer base. MGB should also expand its branches to some more areas for increasing number of customers (Kanika, Nancy, 2013)
6. From liquidity point of view MGB is less liquid as compared to PGB. It states decreased short term loans and bank can run short out of money in case of depression or any uncertain situation. MGB should work on creating more current assets such as investment in cash in hand, cash at bank and marketable securities (Mohanty, 2017)

'CAMEL' model provides a measurement of banks current overall financial, managerial, and operational performance. Thus, the current study has been conducted to examine the financial performance of Punjab Gramin Bank and Malwa Gramin Bank. The study revealed that the figures of compound annual growth rate values of ratios of both the banks that PGB have less growth rate as compared to MGB. Sometimes the CAGR of MGB is also negative but it is not decreasing at the rate at which PGB is decreasing. From the above two MGB is considered to be more efficient and profitable bank in terms of financial ratios and CAGR, because the financial position of MGB bank in terms of Capital adequacy, Management efficiency, Asset quality, Earning capacity and liquidity is better than PGB. **Further, if P-value is less than 0.05 then, we reject the null hypothesis i.e. there is no difference between the ratios of both the banks and accept the alternate hypothesis i.e. there is a significant difference between the ratios of both the banks.** Thus, the applicability of T-test has shown that Asset Quality, Management Efficiency, Earning Quality ratios are significantly different. Hence, the present study depicted that MGB is performing better than PGB.

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