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EVALUATING THE ROLE OF SAURASHTRA GRAMIN BANK IN FINANCIAL INCLUSION: ANALYSIS OF KEY PERFORMANCE INDICATORS

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Abstract

This paper attempts to analyse the financial performance of Saurashtra Gramin Bank (SGB). The financial performance of SGB was measured with the help of Key Performance Indicators (KPIs). The main objective of this paper is to study the difference in performance of SGB before and after Corona pandemic. For this purpose, the data of 4 years before Corona, and 4 years after Corona was taken. The study period also includes the year 2019-20 i.e. the year in which Corona arrived in India. The data was collected from the annual reports of SGB. Trend analysis and charts were used as statistical tools for analysing the KPIs. Ratios like CDR, ROA, and CAR were used, variables related to routine bank activities like deposits mobilised, advances, loan disbursement, investments, and borrowings were considered. Also, indicators like net profit, EPS, recovery amount as well as recovery percentage, and NPA were taken into consideration to analyse the overall financial performace. It was found from the study that SGB improved its financial performance during the critical time of Corona pandemic. The recovery rate was increased, borrowings were decreased, etc. were positive signs for SGB. Variables like CAR, EPS, ROA etc. showed a rapid increase after the period of Corona which can be considered a good sign for SGB. A higher rate of recovery resulted in higher profits, ROA and EPS.

Keywords: *Corona Pandemic, Financial Inclusion, Key Performance Indicators (KPIs), Regional Rural Banks, Saurashtra Gramin Bank.*

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INTRODUCTION

RRBs are government owned scheduled commercial banks in which stockholding of central government, state government and sponsored bank is fixed in the proportion of 50:35:15 respectively. Various expert committees were recommended to establish RRBs and as a result 5 RRBs were set up on 2nd October, 1975 on the recommendations of Narsimham Committee as per RRBs act, 1975. The Government of India enacted the RRBs act in 1976.

Regional Rural Banks (RRBs) were established with a special objective to provide basic banking and financial services, also known as financial inclusion, to the rural poor, small and marginal farmers, artisans, agricultural labourers, small entrepreneurs, etc. since 70% people were residing in rural India in 1970s.

There are two RRBs working in Gujarat namely, Baroda Gujarat Gramin Bank (BGGB), sponsored by Bank of Baroda, and Saurashtra Gramin Bank (SGB), sponsored by State Bank of India. Before merger of Dena Bank with Bank of Baroda in 2019, there were 3 RRBs in Gujarat. Dena Gujarat Gramin Bank (DGGB) was merged with BGGB.

The term 'Financial inclusion' became popular in early 2000s. It refers to the availability of financial services to everyone regardless of their income and savings. Financial services refer to services like savings, investments, insurance, etc. The role of Bank in financial inclusion means how much banks are able to provide financial services to unbanked and underbanked population to access these kinds of financial services. Key performance indicator means that quantitative variable based on which the performance of an organisation or a project can be evaluated. The performance of two or more organisations or departments can be compared on the basis of these KPIs. The success of two or more projects can also me compared on the basis of KPIs. Some of KPIs for a banking institution are no. of districts covered, no. of branches, staff productivity, deposits mobilised, borrowings, investments, advances, loan disbursement, recovery performance, Credit Deposit Ratio (CDR), Earning Per Share (EPS), Return on Assets (ROA), Capital Adequacy Ratio (CAR), Non-Performing Assets (NPA), etc.

EPS shows the return (or profit) per share to the shareholders. It is found by dividing net divisible profit by number of equity shares. Higher EPS is a good indicator as it refers to higher profitability of the firm or organization. ROA shows the percentage of how profitable are company's asset to generate revenue. It is calculated by dividing net profit by total real assets. It shows the company's ability about what it can do with what it has. Higher ROA is a good indicator as it shows higher efficiency of the firm or organization to make profits.

Capital Adequacy Ratio (CAR), Also known as Capital to Risk (weighted) Assets Ratio (CRAR), shows bank's ability to absorb losses and maintain financial stability. It is calculated by dividing a bank's capital (tier-1 and tier-2) by its risk-weighted assets. It represents how much capital on hand a bank has to cover potential losses from bad loans and other risks. A high CAR is good for an institution as it shows financially stronger and more stable position. Credit Deposit Ratio (CDR) shows proportion of bank's deposit kept in cash (cash on hand as well as balance with RBI) compared to its total deposits. NPA refers to that asset of a bank which has stopped generating profit for more than 90 days. Here, asset means loans or advances issued to the customers. According to RBI, when a borrower fails to make repayment of interest or principal amount or both for more than 90 days, it becomes NPA for bank. Higher value of NPA is not a good indicator because it shows inefficiency of bank to recover its dues.

REVIEW OF LITERATURE

Pal & Sura (2006) used analytical exploratory study and tried to assess the growth pattern of RRBs. They also tried to examine credit distribution and geographical distribution of RRBs from 1975 to 2005. The secondary data was taken from annual reports NABARD, RBI and concerned banks. A conventional analysis was applied through tables, ratios, and time series. The study found that branch network was increased during the study period but the geographical distribution of branches was not satisfactory. Also, CD ratio was increased but it was not enough that stops increasing dent on the improved functioning of RRBs.

Soni & Kapre (2012) analysed the financial performance of RRBs in India with the help of key performance indicators. They also tried to evaluate the progress of RRBs for the year ending on 31st March, 2011. The growth rate was calculated for the year 2010-11 taking 2009-10 as base year. The data was collected from secondary sources from annual reports of NABARD and RBI. All the variables under study shown an improvement in performance as compared to based year.

Gadhavi & Vekariya (2014) made an attempt to study "economic evaluation of the performance of institutional finance to agriculture in Junagadh district, Gujarat". The performance was measured through various accounting ratios from the year 1992-93 to 2007-08. The data for the study was collected from the records of Saurashtra Gramin Bank and Junagadh-Amreli Gramin Bank. Different key performance indicators were also used to measure the financial performance of RRBs. A significant increase in the KPI was found which is a good sign of improvement in financial performance.

Oza & Patel (2015) analysed the performance of all three RRBs of Gujarat in role of financial inclusion. Branch expansion and credit deposit ratio (CDR) were the variables that were used to analyse the performance. The financial performance was measured using trend analysis and ANOVA as the statistical tools taking the data from 2005-06 to 2012-13. Both the variables showed a decreasing trend. It was found that there was no significant improvement in financial inclusion by all three banks.

Patel & Shah (2016) analysed the financial performance of RRBs of India before and after amalgamation. the analysis was done taking data from the annual reports of RBI for the years 2000-01 to 2012-13. The performance was measured based on spread ratio, burden ratio and profitability ratio. Different statistical tools like line and bar charts etc were used to study the growth pattern of RRBs. The study revealed that the spread ratio shown significant difference in performance between pre and post merger whereas other two ratios failed to do so.

Kumar et al. (2018) assessed the key performance indicators of RRBs in India using the secondary data from 2001-02 to 2015-16. The data was taken from annual reports of NABARD and RBI, journals, websites, etc. The financial performance based on different variables was analysed using t-test and ANOVA. The changes took place in the performance during pre and post-merger were also studied. It was found that the branch network increased tremendously during the study period. All other variables were also showed a significant improvement in the financial performance.

Jha (2018) studied about objectives of establishing RRBs. The paper was descriptive in nature aimed to describe the functions and role of RRBs as an instrument of financial inclusion. The paper also discussed about the problems and challenges of RRBs. RRBs can play a significant role in financial inclusion by providing low-cost financial services to the poor. Different types of government schemes and programmes are the means for providing financial assistance and credit to rural people.

Somaiya & Pandya (2024) compared the financial performance of Baroda Gujarat Gramin Bnak and Dena Gujarat Gramin Bank before and after merger. The secondary data of 10 years was taken i.e. 5 years of before merger and 5 years of after merger from the annual reports of concerned banks. The performance of banks was measured based on key performance indicators. The combined performance of both banks before merger was compared with the individual performance of BGGB after merger. It was found that there was a positive impact of merger on the financial performance and overall performance was improved. The KPIs shown a significant improvement after merger.

RESEARCH METHODOLOGY

Need for the study

- The past researches assess the short-term effects of amalgamation. There is little analysis of long-term performance trends post-merger (beyond 5–10 years), especially considering sustainability and stability of improvements in KPIs.
- Most studies use past data for the research. Recent trends (2017 onward) including the impact of COVID-19, policy changes, and fintech evolution on RRBs are largely unexplored.

Significance of the study

The current research analyses the quantitative variables of SGB that measure the financial performance of a bank. This study will help the policymakers in restructuring NPA norms, recapitalization strategies and support framework for RRBs. Further, this study will help in future researches on Comparative performance across RRBs, Post COVID financial behavior among rural customers, Impact of digital banking on rural financial access. The SGB's experience during and after the pandemic can serve as a replicable model for other RRBs in India, especially in terms of adaptive growth.

Objectives:

1) To study the growth pattern of SGB from 2015-16 to 2023-24.
2) To analyse the key performance indicators of SGB.
3) To measure the overall financial performance of SGB.
4) To study the difference in financial performance before and after arrival of Corona pandemic.

Sources of Data:

The data was collected form the secondary sources. Annual reports of SGB were used for the purpose of data collection. The data for the period of 9 years i.e. 2015-16 to 2023-24 was taken for the study. The period of study was selected to study the growth pattern in the performance of SGB before and after CORONA pandemic. Corona pandemic began during the year 2019-20. The years selected in this study are 4 years before the arrival of corona in India i.e. 2015-16 to 2018-19, the year of arrival of corona in India i.e. 2019-20, and 4 years after the arrival of corona in India i.e. 2020-21 to 2023-24.

Statistical Tools:

- Line and bar diagrams are used to understand the relation between different variables.
- Trend analysis is used to study the growth pattern in financial performance of SGB.

Scope of the study:

This study aims to analyse the financial performance of SGB over the period of 9 years. The financial performance is measured through trend analysis. Charts were used to see the difference in performance of SGB before and after arrival of Corona pandemic. The KPIs based on ratios like CDR, ROA, CAR were taken. KPIs related to bank's routine activities like deposits mobilised, advances, loan disbursement, investments, and borrowings were taken. Also, KPIs related to bank's efficiency like net profit, EPS, recovery performance (Rs.), recovery (%), and NPA were taken.

Important Terms:

1. Earning Per Share (EPS) $= \frac{\text{Net Profit} - \text{Preference Dividend}}{\text{Number of Eq.shares}}$

2. $Return\ on\ Assets\ (ROA) = \frac{Net\ Profit}{Average\ Total\ Real\ Assets}$

3. $Capital\ Adequacy\ Ratio\ (CAR) = \frac{Tier\ 1\ Capital + Tier\ 2\ Capital}{Risk - Weighted\ Assets}$

4. $Credit\ Deposit\ Ratio = \frac{Total\ Loans}{Total\ Deposits} \times 100$

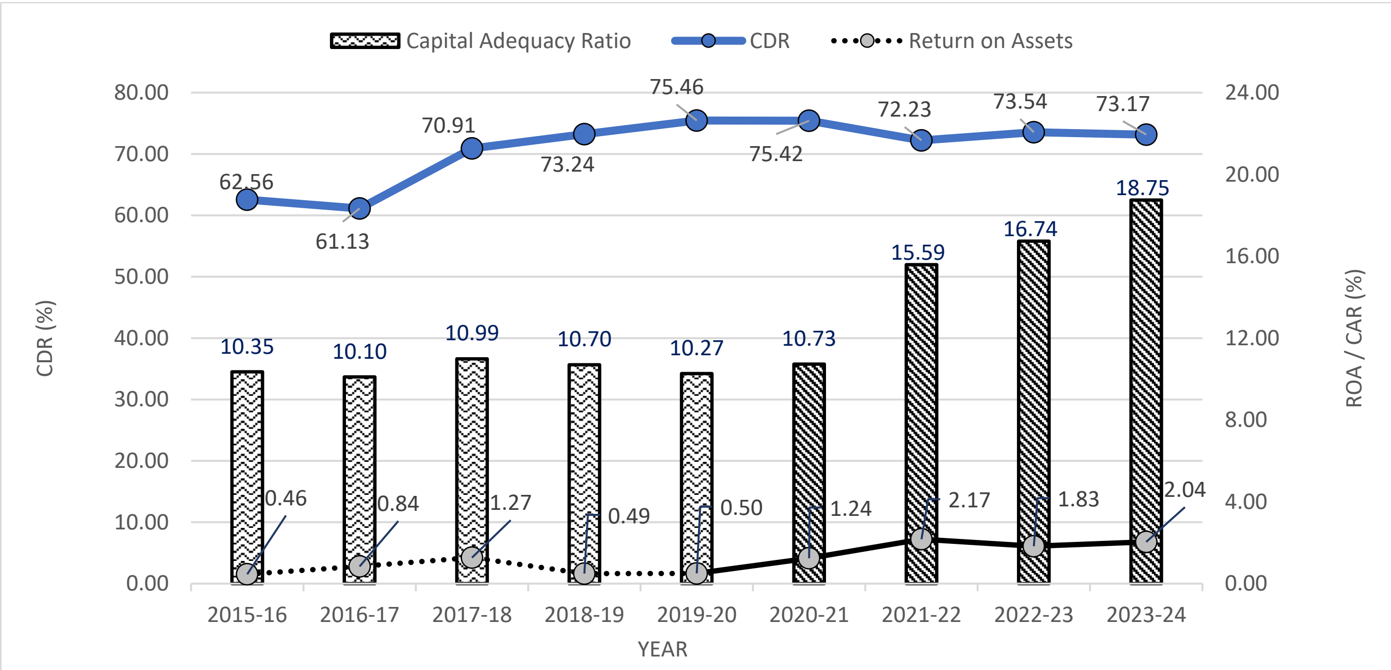
DATA ANALYSIS & INTERPRETATION

Table:1

Year	CDR (%)	ROA (%)	CAR (%)	EPS (₹)	Net Profit (Lakh Rs.)	Recovery (Lakh Rs.)	Recovery (%)
2015-16	62.56%	0.46%	10.35%	6.81	1669.71	123785.61	86.40%
2016-17	61.13%	0.84%	10.10%	15.73	3858.20	152958.57	89.26%
2017-18	70.91%	1.27%	10.99%	27.77	6812.76	196266.05	90.34%
2018-19	73.24%	0.49%	10.70%	12.45	3054.76	256234.40	90.86%
2019-20	75.46%	0.50%	10.27%	13.83	3392.24	291406.73	91.01%
2020-21	75.42%	1.24%	10.73%	38.91	9546.62	324798.13	94.05%
2021-22	72.23%	2.17%	15.59%	75.42	18504.24	386023.92	95.94%
2022-23	73.54%	1.83%	16.74%	72.77	17853.26	423301.61	91.74%
2023-24	73.17%	2.04%	18.75%	93.02	22821.53	461269.68	91.43%

Table 1 is about the values of different KPIs of SGB from the year 2015-16 to 2023-24. Different charts are prepared for two or more variables jointly to understand the relation between the variables.

Chart: 1



From the above chart, it can be clearly seen that the ROA and CAR of SGB has been significantly improved after the year of Corona Pandemic i.e. 2019-20. Whereas the trend of CDR became stable. ROA was near about 0.5% till 2019-20 but after that it was never gone below 1.24%. In fact, in the years 2021-22 and 2023-24, ROA was above 2% which is a good sign for the bank. CAR was also increased remarkably, it was nearly about 10% from 2015-16 till 2019-20, but it was boosted after that and increased continuously every year and reached to 18.75% in 2023-24 from 10.27% in 2019-20. This shows that financial stability of SGB increased very fast after Corona. CDR was fluctuating before corona, but since 2019-20, it became stable in the range between 72 to 76%. This means that the bank started keeping a fixed proportion of cash in hand.

Chart: 2

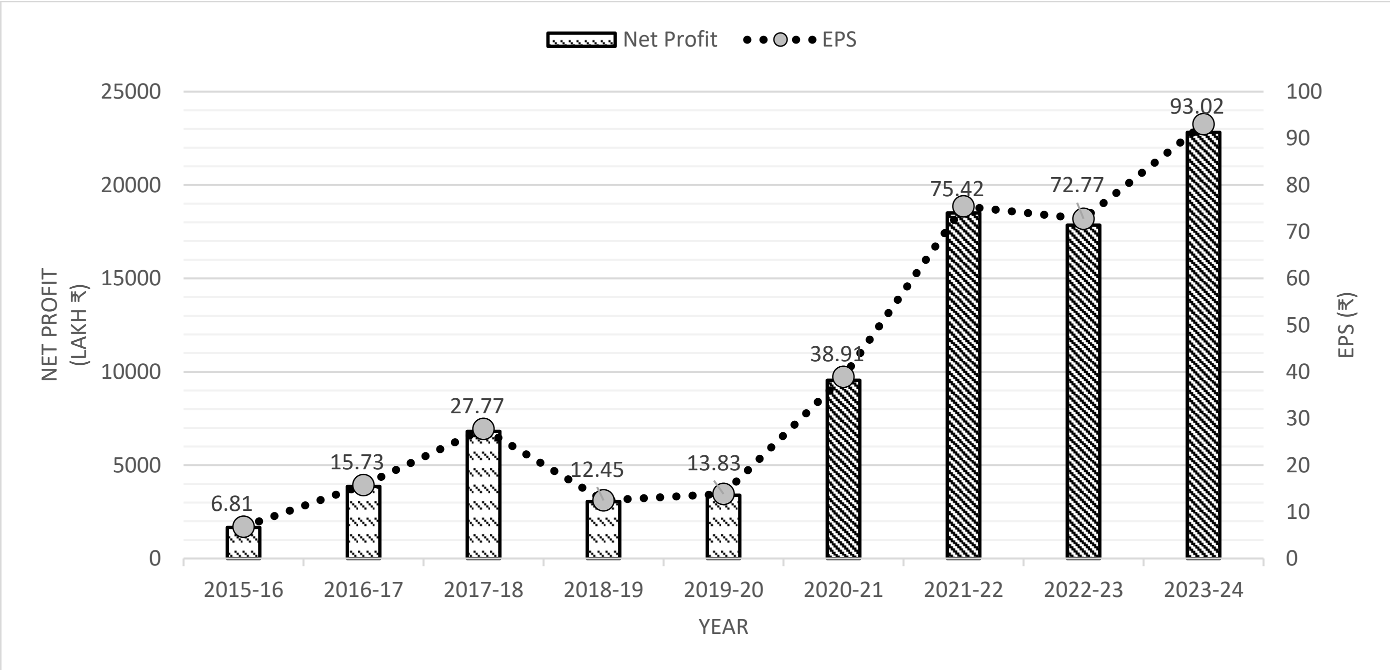
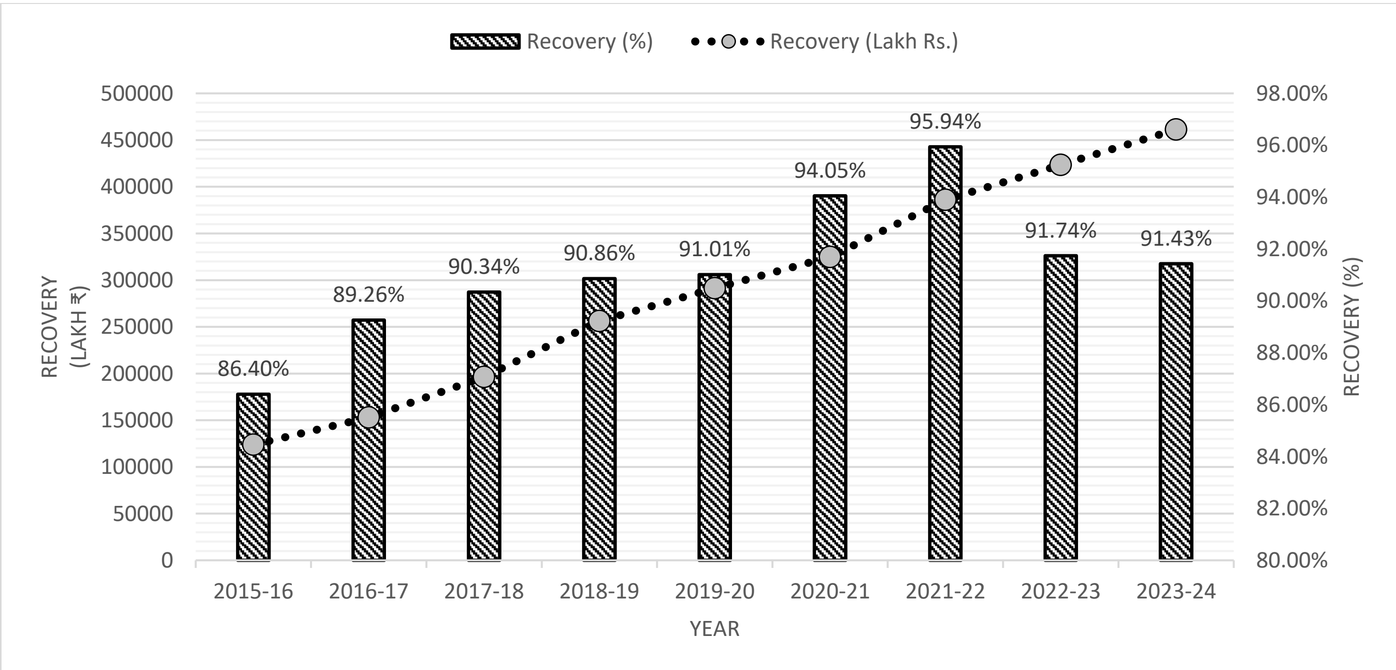


Chart-2 shows the net profit and EPS of SGB. It can be seen that net profit as well as EPS were very low as compared to that of post Corona pandemic period. After 2019-20, SGB started earning better and as a result it started giving better returns to its shareholders' which can be seen by the increasing trend of EPS. A remarkable increase in EPS and Net profit after corona can be noticed. It reached to 93.02 Rs. in 2023-24 from just 13.83 Rs. in 2019-20. EPS of Rs. 80 approximately was increased in just a period of 4 years after Corona. Whereas it was increased only by Rs. 7.02 in 4 years in pre corona period.

Chart: 3



From the above chart-3, improvement in recovery performance can be seen. Recovery (in Rs.) has been increased every year compared to previous year. However, recovery in % is a better indicator than recovery in Rs. The recovery performance was improved after the year 2019-

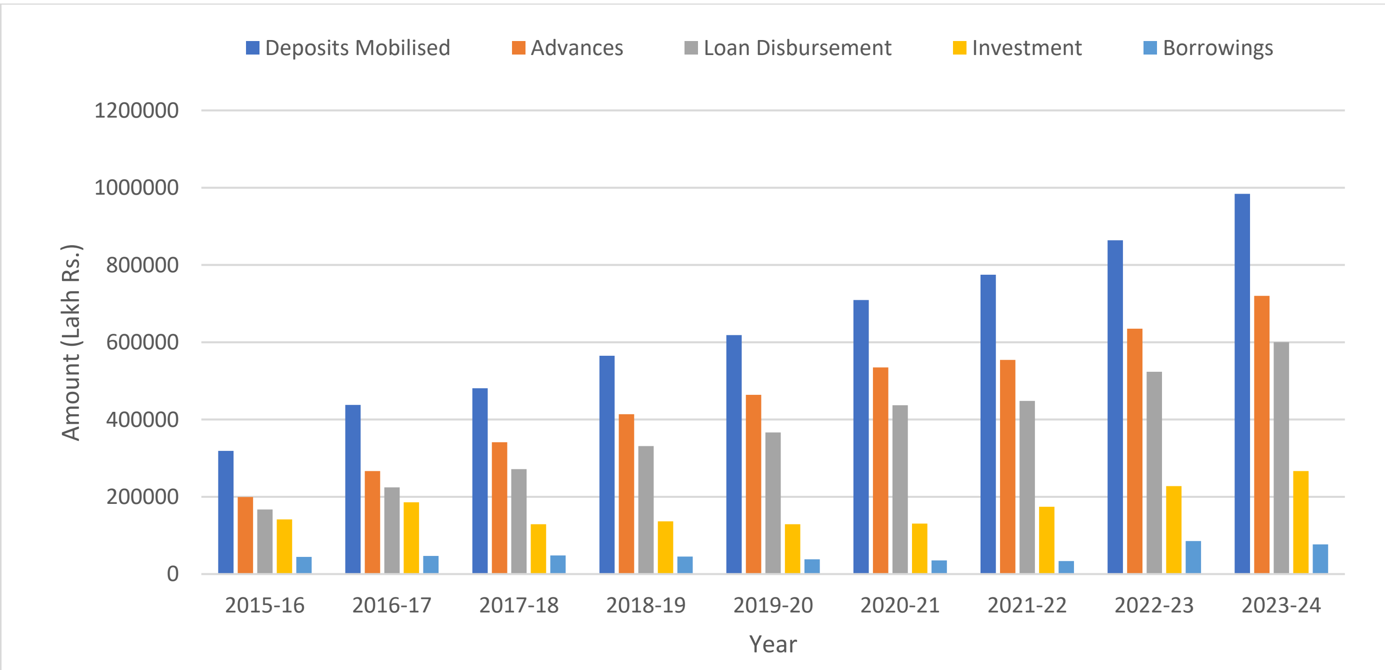
20. It was reached near about 95% in 2021-22. However, it reached between 91% and 92% again after the effects of Corona pandemic reducedin 2021-22. It is a good sign that the SGB has improved its performance in recovery of loan amount during the critical period of Corona.

Table: 2

Year	Deposits Mobilised (Lakh Rs.)	Advances (Lakh Rs.)	Loan Disbursement (Lakh Rs.)	Investment (Lakh Rs.)	Borrowings (Lakh Rs.)	Addition to NPA (Lakh Rs.)	Net NPA (Lakh Rs.)
2015-16	318771.89	199420.62	167045.73	141611.52	44601.36	3482.76	1051.30
2016-17	437615.30	266585.18	224187.54	185939.46	47051.79	2917.34	998.74
2017-18	481060.09	341142.94	271714.98	128847.51	48078.10	8862.62	2807.85
2018-19	564944.44	413765.15	331338.94	136475.58	45418.87	10387.36	4014.56
2019-20	618593.55	464094.50	366469.96	128957.59	38431.82	15640.43	7273.88
2020-21	709095.54	534771.84	436951.91	130736.21	35348.67	7219.59	12547.63
2021-22	774949.41	554434.07	447980.46	174047.73	33868.96	10735.38	12259.32
2022-23	863741.40	635193.78	523468.26	227673.70	85503.97	14102.88	18208.20
2023-24	984081.59	720082.30	600090.46	266825.53	76851.97	11010.57	15611.70

Table-2 shows the amounts (in lakh Rs.) of the bank's routine activities. From the table, it can be clearly seen that all the variables are significantly increasing over the study period. SGB's NPA are also increasing but the rate is slow which can be considered good. Also, addition to NPA and net NPA are not continuously increasing. It can be said that there is a good control by the bank over NPA. There is a slow increasing rate of investments and borrowings as compared to other variables which can be clearly seen in the chart-4 below.

Chart: 4



From Chart-4, an increase in each variable can be seen clearly. Each variable is continuously increasing except the investments and the borrowings. However, investments were decreased in the year of Corona, but after that it is continuously increasing. Borrowings were in decreasing trend till 2021-22 which is a good sign for a bank. But, after the year 2021-22, borrowings were increased again. All these figures show a crucial role of SGB in financial inclusion.

CONCLUSION

The study concludes that Saurashtra Gramin Bank (SGB) has demonstrated consistent improvement in its financial performance over the years, particularly evident through key performance indicators (KPIs). A notable shift in performance was observed after the onset of the Corona pandemic, with significant gains in recovery rate, ROA, EPS, CAR, and net profit, alongside a reduction in borrowings during the critical period. The bank's effective recovery mechanisms also helped control NPAs, contributing to stronger financial health. Furthermore, continuous growth in deposits mobilised and loan disbursements highlights SGB's active role in advancing financial inclusion among the rural population.

Overall, the bank has demonstrated strong adaptability and efficiency, marking its significant role in rural banking in Gujarat.

RECOMMENDATIONS

- Although the recovery rate improved during the COVID-19 period, it slightly declined post-2021-22. The bank should adopt more technology-driven recovery methods, including AI-based risk profiling and follow-ups.
- Despite improvement, net NPAs have increased in absolute terms. Targeted loan restructuring, stricter credit appraisal, and real-time monitoring systems should be implemented to prevent further slippage.
- Borrowings were well-controlled during the pandemic but began rising again post-2021-22. The bank should ensure optimal borrowing levels, ideally linked to internal fund growth.
- Considering the rural outreach, expanding mobile banking, digital kiosks, and UPI infrastructure can deepen financial inclusion and reduce operational costs.
- Many rural customers remain unaware of formal banking benefits. SGB should partner with local self-help groups to conduct regular financial literacy campaigns.

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