Financial Performance of Regional Rural Banks of Punjab:
A Comparative Study

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ABSTRACT

Regional Rural Banks have successfully achieved its objective of taking banking to doorsteps of rural households of India. However, the ability of the banks to serve these sections of society in a better way is dependent upon their 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 which depicts capital adequacy, asset quality, management efficiency, earning quality and liquidity. The study has covered the period of 5 years i.e. from the financial year 2011-2012 to 2015-2016. As per the results of the study Malwa Gramin Bank has better financial position in comparison to Punjab Gramin Bank, based on its overall CAMEL ratios and Compound Annual Growth Rate. Further, the result of t-test reveals that there is a significant difference between the banks based upon selected CAMEL ratios. In this regard, the study suggests increase in equity base, proper debt management, introducing training programs for the development of the skills of the staff and assistance of the government and regulatory bodies for the better financial performance of RRB's of Punjab.

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

Introduction

Regional Rural Banks (RRBs)

Regional Rural Banks have been in existence for about three decades in the Indian financial system and these banks have been formed with a vision to provide with necessary banking and monetary services mainly in the rural areas of India (Ahmed, 2013). They are formed with joint shareholding by Central Government, the State Government, and the Sponsor Bank.

Regional Rural Banks were set up in the year 1975 on the recommendation of Narasimham Committee. On the basis of this committee's recommendations, Regional Rural Bank ordinance was promulgated in September 1975 (Kumar and Aggarwal, 2017). Based upon that, RRB Act 1976 was enacted, to provide enough banking and credit facility for agriculture and other rural sectors. The coverage of RRBs has been restricted to the area as notified by Government of India covering at least one district in the State.

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 banks. In this regard, the present study has calculated CAMEL ratios from the respective variables to measure and compare the performance of banks.

Current Scenario of RRB's in Punjab

There are three major Regional Rural Banks in Punjab-

Malwa Gramin Bank (MGB) - 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.

Punjab Gramin Bank (PGB) - 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 Firozpur 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.

Satluj Gramin Bank (SGB) - Sutlej Gramin Bank is sponsored by Punjab & Sind Bank was established on 22nd March 1986 under RRB Act 1976. The Bank has 31 branches.

Literature Review:

A lot of studies have been conducted on regional rural Banks of Indian Banking industry. But there is dearth of litereature related to Regional Rural Banks of Punjab .The following studies have been conducted on examining the financial status of Indian Banks except in the state of Punjab. The study by (Chalvai,Raut,Gardas ,2018) evaluated the performance of 44 commercial banksby using DEA (Data Envelopment Approach). 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 reveals that the scenario was extremely terrible as far as the customer base for RRBs concerned (Ahmed, 2013). Study by (Dash,2017) used the multivariate and multi-criteria model to examine the performance of banks. 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). Beheshtinia and Omidi(2017) used the tool of hybrid multiple criteria decision making in order to evaluate banks performance. As far as the comparison is concerned, the study of Andhara Pradesh revealed that Andhra Pragathi Grameena Bank rated top on the basis of overall performance parameters of CAMEL Model (Reddy and Prasad, 2011).

As far as the consideration of the variable/factors is concerned, Meena (2016) studied the performance of public and private banks by four factors such as profit per employees, debt-equity ratio, total asset-total deposit ratio and net NPA to total advances ratio. 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. Similarly the studies have been conducted to compare the different banks either in private sector, public ector or both (Lall and Aggarwal, 2017; Mohanty, 2017, Kauser, Saba, 2012) by using different variables as financial ratios related to CAMEL model.

Overall, literature has supported the application of Camel Ratios as widely used tool to analyse and compare the financial position of banks.

Need of the Study

"Regional Rural Banks (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 (Kumar, Goyal and Sharma, 2017). These

banks are also helpful for its customers as they are encouraging rural peoples for savings, channelizing them for supporting industrious activities in the rural areas and generating employment opportunities in rural areas which have contributed to economic development of rural population. The contribution of the commercial banks to the rural/semi urban banking network is far higher than the contribution of rural banks to the total of 87,000 bank branches in India. Despite the importance of commercial banks even in the rural areas however they are neither able nor willing to serve the poorest sections of the population. Since 1975, Regional Rural banks (RRBs) are being regarded as a significant Rural Financial institution for promoting sustainable economic growth (Pal, 2017).

Research Objectives

Due to the great contribution of Regional Rural Banks 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. Therefore the aim of the paper is

·   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 and Compound Annual Growth Rate.

·   To suggest various measures for improving the financial status of Regional Rural Banks (RRBs) of Punjab.

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 assample for comparison.

Hypothesis

·   Null Hypothesis (H0) - There is no significant difference between the means of respective ratios of both the banks.

·   Alternate Hypothesis (H1) - There is a significant difference between the means of 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

The study has used different financial and statistical tools for the analysis purpose.

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. 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).

Limitations of the study

In this study limited camel ratios have been considered depending upon the data avialability. Moreover, only two banks have been selected for analysis and period taken is five years only. However the present ratios and time period seems to be sufficient as supported by literature review.

Data Analysis

Camel Ratios

Capital Adequacy Ratio

Capital adequacy ratio is developed to make sure that banks can take up a reasonable level of losses occurred and determine the capacity of the bank in meeting the losses. Therefore, higher ratio is preferred as the more will be the protection of investors. The capital adequacy ratio includes 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

Debt Equity Ratio indicates the company's dependence on borrowed funds and its ability to meet financial obligations. Table 1 shows that the average Debt Equity Ratio is 11.05 times for PGB and 10.43 times for MGB with CAGR (Compound Annual Growth rate) of 4 and 3 percent, respectively. This ratio is healthy for both the banks as it can be considered as adequate up to 15:1 in case of banking industry (Mohanty, 2014). Further, the results of the t-test (p=0.46; t=0.77) reveals that there is no significant difference between PGB and MGB with respect to Debt Equity Ratio.

This ratio shows the better financial leverage of MGB in comparison with PGB which is an indicator of satisfactory financial performance.

Advance to Asset Ratio indicates the bank's efforts in lending credit which ultimately results in better profitability. As per Table 1, the average Advance to Asset Ratio is 11.57 for PGB and 8.59 times for MGB with Standard Deviation is 1.94 and 0.67, respectively. This ratio has compound annual decrease of 8 percent (PGB) and increase of 2 percent (MGB) from the year2011-12 to 2015-16. The results of t-test, (p=0.12, t=3.22) accepts the null hypothesis (H_0) at 5 percent level of significance and shows no significant difference between ratios of PGB and MGB.

It demonstrates that MGB is active in creating more loan assets which provides boost to financial performance.

Government Securities to Total Asset Ratio is an important indicator which shows the risk-taking ability of the bank. Table 1, shows that average Govt.Securities to Total Asset Ratio is 8.09 for PGB and 0.69 times for

MGB. Higher the ratio more will be the risk-free assets in the total asset held by a bank. In addition CAGR of both the banks is decreasing by 15 percent (PGB) and 11 percent (MGB) from the year 2012 to 2016. A further t-test result proves that there is no significant difference between PGB and MGB for this particular ratio.

This ratio shows that both banks are lacking in creating more risk-free assets which may lead to hampering the financial performance.

Assets Quality Ratio

The prime motto behind measuring the assets quality is to ascertain the component of non-performing assets as a percentage of the total assets. The ratios necessary to assess the assets quality includes 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

Total Investment to Total Asset Ratio 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 for PGB and 2.13 times for MGB and CAGR is decreasing by 15 percent and by 6 percent for PGB and MGB, respectively from the year 2011-12 to 2015-16. Further, the results of t-test, (p=0.01, t=4) shows that there is a significant difference between the ratios of PGB and MGB.

This ratio has depicted the inability to use assets appropriately which may affect the financial performance negatively.

The ratio of Total Deposits to Total Assets is calculated by dividing Total Deposits by Total Assets (Rostami, 2015). According to Table 2, the average Deposit to Total Asset Ratio is 18.01for PGB and 8.97 times for MGB with Standard Deviation of 3.4 and 0.6 respectively. The ratio of MGB has compound annual increase of 0.7 percent and PGB is decreasing at a rate of 9.8 percent from the year 2012 to 2016. From the above results of t-test, (p=0.00, t=5.8) shows that null hypothesis (H_0) is being rejected at 5 percent level of significance.

This ratio depicts that MGB is successful in creating more deposits out of assets which can contribute to enhance the financial strength of the banks.

Fixed Asset to Total Asset Ratio indicates the total fixed assets in proportion to total assets .Table 2, shows that Fixed Asset to Total Asset Ratio is0.07 and 0.01times with CAGR decreasing by 8 (PGB) and increasing by 23 percent (MGB) from the year 2011-12 to 2015-16. From the above output of t-test, (p=0.00, t=10.4) rejects the null hypothesis (H_0) at 5 percent level of significance.

This ratio reveals that MGB is performing well in terms of financial performance over the period of time as there are more fixed assets.

Management Efficiency Ratio

Ratios in this part involve subjective analysis to measure the efficiency and effectiveness of management. The management of bank takes crucial decisions depending on its risk awareness. It includes Total Advance to Total Deposit Ratio, Net Profit to Number of Branches, Total assets to Number of Branches.

Table 3

YEAR	Management Efficiency Ratios					
	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

Total Advances to Total Deposit Ratio measures the efficiency and ability of the bank's management in converting the deposits available with the bank (Waraich and Dhawan, 2016). As per Table 3, the average Total Advances to Total Deposit Ratio is0.64 times for PGB and 0.95 times for MGB with CAGR increasing by 1.99percent (PGB) and 1.69 percent (MGB) .Standard Deviation is 0.06 (PGB) and 0.04 (MGB)from the year 2012 to 2016. From the above figures of t-test, p value is 0.00 (t=-8) which reveals that the ratios of PGB and MGB are significantly different.

This ratio shows that both the banks have same growth rate and able to generate more deposits which shows satisfactory financial performance.

The ratio Net Profit (N.P) to No. of Branches indicates that how much N.P is earned by a single branch (Rostami, 2015). This ratio reveals the ability of management's efficiency in earning profits. According to Table 3, the branch of PGB has earned profits 1564 times as compared to MGB which is 1700 times. The ratio of MGB has compound annual increase of around 16 percent and in the case of PGB; the ratio is also increasing with a compound rate of around 29 percent from the year 2011-12 to 2015-16.The results of t-test reveals that p value is 0.62 (t=-0.5) which accepts the null hypothesis (H_0) at 5 percent level of significance.

This ratio depicts that both the banks have positive growth profits and performing well as far as financial performance is concerned.

Total Assets (T.A) to Number of Branches Ratio states the number of assets by each branch. The more the assets the more will be the share of each branch (Mishra and Aspal, 2012). Table 3 shows that the assets per branch are 7629times for PGB and 11950 times for MGB with Standard Deviation are 3077 and 2721 respectively. Further, MGB has compound annual increase of around 14 percent and PGB of around 30 percent from the year 2011-12 to 2015-16. The output of t-test, reveals that p value is 0.04 (t=-2.3) rejects the null hypothesis (H_0) at 5 percent level of significance.

This ratio depicts that PGB has more assets per branch and more sound in terms of financial performance in comparison to 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

Spread is the difference between the interest earned and interest expended which 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. Average Ratio is 0.69 for PGB and 0.38 times for MGB with CAGR is decreasing by 10 percent (PGB) and increasing by 3 percent (MGB) from 2011-12 to 2015-16. The results of t-test reveals that the p value is 0.00 (t=4.95) hence, there is a significant difference between the ratios of PGB and MGB.

This ratio demonstrates sound performance of MGB in comparison to PGB in creating more spread.

Net Profit to Total Asset Ratio measures return on assets employed or the efficiency in utilization of assets. Table 4, shows that Net Profit to Total Asset ratio of MGB and PGB is 21.21 and 14.33 percent with Standard Deviation of both the banks is 4.83 and 1.58, respectively. From the year 2011-12 to 2015-16, MGB has compounded annual increase of 1.3 percent but in the case of PGB, the ratio is decreasing with a compound rate of 0.9 percent. The figures of t-test (p=0.01, t=3.02) shows that there is a significant difference between the N.P to T.A ratio of both the banks.

This ratio shows that MGB is stronger in terms of net profits as compared to PGB and performing better.

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.

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

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 (Nandi, 2013). As per Table 5, the average Liquid Asset to Total Asset Ratio is7.26times for PGB and 3.02 times for MGB. The ratios of MGB from the year 2011-12 to 2015-16 has compounded annual increase of 4 percent but in the case of PGB, the ratio is decreasing with a compound rate of 10 percent. The output of t-test (p=0.02,t=3.2) rejects the null hypothesis (H0) at 5 percent level of significance.

The liquidity of MGB is better than PGB which depicts the better financial performance of MGB to meet the short term obligations.

Liquid Assets to Demand Deposits Ratio is used to measure the capability of the bank to meet the demand deposits 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 is 41.9 for PGB and 33.8 for MGB with CAGR is decreasing by 1percent (PGB) and increasing by 4 percent (MGB). The results of t-test, (p= 0.4, t=0.8) reveals that there is no significant difference between banks on the basis of this ratio.

This ratio shows that MGB is successful in meeting the needs of demand deposits on time which is regarded as an important measure of financial performance.

The ratio of Liquid Assets to Total Deposits ratio measures the liquidity available to the total deposits of the bank. Table 5, revealed that the average Liquid Assets to Total Deposits Ratio is4.20 for PGB and 4.40 for MGB which shows that both the banks have quite same ratio of liquid assets in relation to total deposits with Standard Deviation of 0.5 and 0.4 respectively. The ratio of MGB has started decreasing from the year 2011-12 to 2015-16 and has compounded decrease of 4.8 percent same is the case of PGB, but according to compounded annual growth rate the ratio of PGB has decreased more i.e. 8 percent. The figures of t-test

reveals that p=0.54 (t=-0.62) and accepts the null hypothesis (H0) at 5 percent level of significance.

Overall, this ratio depicts that both the banks have sound liquid assets in context to total deposits and solvent in terms of financial performance.

Suggestions

As per the above analysis, following suggestions are recommended for the further improvement in the financial performance of these banks.

- PGB has the higher debt equity ratio as compared to MGB 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 it would be a burden on the management to give more interest out of profit.

- 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. Banks should make strategies to avail more loans to their customers either short or long term loans. These findings are supported by the study conducted by Ahmed, 2013.

- MGB has very less govt .securities 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.

- 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 give training to staff which will result in more efficiency in deriving more profit for the bank. The findings are in conformity with the study conducted by Geetha, (2016).

- Major factor behind low figures of each camel ratio regarding 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 expand branches to some more areas will increase increasing number of customers. These findings are supported by the study conducted by Kanika and Nancy, (2015).

- From liquidity point of view MGB is less liquid as compared to PGB. As per the study conducted by Mohanty, 2017, due to decreased short term loans bank can run short out of money in case of depression or any uncertain situation". Hence, MGB should work on creating more current assets such as investment in cash in hand, cash at bank and marketable securities.

Conclusion

In the context to the above discussion, 'CAMEL' model provides a measurement of banks current overall financial, managerial, and operational performance. The study revealed that among both the banks PGB have less growth rate as compared to MGB. In few cases, the CAGR of MGB is also negative but it is not decreasing at the rate at which PGB is decreasing. Among the above two banks considered for the study MGB has proved 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, 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 in terms of financial performance on the basis of above parameters.

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