



A STUDY ON PERFORMANCE EVALUATION OF NABARD BANK

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ABSTRACT

This study has been carried out to evaluate the Performance Analysis of NABARD. NABARD is a financial institution that was set up by the Indian government to promote sustainable agriculture and rural development in the country. The functions of NABARD include the propagation of technological innovations, financial and non-financial solutions, and institutional development. The financial performance of above mentioned bank has been evaluated for the past five years i.e.2015, 2016, 2017, 2018 and 2019. The data was analysed by various ratios and growth analysis. To conclude this article the financial soundness of the bank is satisfactory during the study period and the bank can reduce its lending over deposit by raising their capital by its funds.

KEYWORDS: financial performance, ratios analysis, growth analysis, performance, rural development

1. INTRODUCTION

Financial performance represents the task of executing financial activity. It indicates the extent to which financial objectives or targets have been fulfilled. Company financial performance is measured in terms of monetary and is used for decision making purpose. Financial performance of a company indicates financial health of a company for a particular period of time. Thus financial performance analysis is a process of systematically making a proper, critical and comparative evaluation of profitability and financial health of a firm through the applications of financial statement analysis.

HISTORY OF NABARD

National Bank for Agriculture and rural development (NABARD) was established on 12 July 1982 by an Act of the parliament. NABARD, as a Development Bank, is mandated for providing and regulating credit and other facilities for the promotion and development of agriculture, small scale industries, cottage and village industries, handicrafts and other rural crafts and other allied economic activities in rural areas with a view to promoting integrated rural development and securing prosperity of rural areas, and for matters connected therewith or incidental thereto. The vision of NABARD is Fostering Rural Prosperity. The mission is to promote sustainable and equitable agriculture and rural development through participative financial and non-financial interventions, innovations, technology and institutional development for securing prosperity. NABARD is wholly owned by Government of India. NABARD, with its Head office at Mumbai, Hasnabard, with its head office at Mumbai, has 31 Regional Offices located in States and union territory, a cell at

Srinagar, 04 Training Establishments in the Northern, Eastern & Southern parts of India and 414 District Development Managers functioning at district level. NABARD has 2243 professionals supported by 1130 other staff.

NEW DEVELOPMENTS DURING 2020-21

1. Pilot scheme for Partial Credit Guarantee scheme for NBFCs / NBFC-MFIs:

The scheme has been introduced to enable small NBFCs and NBFC -MFIs lending in agriculture, MSME, and microfinance sectors to raise funds from debt and capital market.

The partial credit guarantee could be extended by NABARD alone or along with one or more financial facilitation agency, which would also act as a co-guarantor and share the guarantee risk. The scheme will be undertaken as a pilot product with one pilot each with the existing market players to do two transactions of ₹100 crore each. This will help in generating higher credit flow at the ground level and developing smaller NBFC/ NBFC-MFIs into refinance clients of NABARD in future.

2. Engaging with NBFCs – Third party pool analysis

Considering the market conditions and the demand for refinance from NBFCs, the appraisal process of the NBFC applications are strengthened. A third party pool analysis and monitoring the strength of the NBFC shall be in addition to the existing monitoring and appraisal mechanism. Reports from external agencies will provide inputs on various early warning signals about the NBFC and market intelligence with regard to the NBFC sector.



3. ST Refinance to SFBs

To further accelerate the financial inclusion by facilitating credit availability to farmers for agriculture operations, working capital loans in MSE sectors, loans to retail trade, small businesses, professionals and other unorganized sector, at affordable rate of interest, SFBs were included as eligible institution to avail ST refinance. An amount of Rs.49 crores has been extended to North East SFB during 2020-21.

2. REVIEW OF LITERATURE

Anitha, Jebaselvi, (January-2020) revealed that rural development becoming more and more vital, NABARD touches all aspects of rural economy. NABARD creates new employment opportunities and provides financial support to the underserved population of the country and also monitors the institution functioning and regulation of banks. NABARD have been a boon to millions of rural families across the country. NABARD is the backbone for the existing and future growth of rural economy. The financial initiatives taken by the NABARD in the rural area is expected to play a significant role in the emergence of the Indian economy¹.

Prof. Dr. Vandana k. Mishra (2015), revealed that the role of NABARD in the rural credits structure has been analysed. The rural credit structure consists of priority sector and there has been tremendous achievement in disbursing loans to this sector. The priority sector loans constituted higher in percentage throughout the study. The target of agricultural credit flow was fixed at Rs.700,000 crores during 2013-14 and the achievement Rs.7,23,225 crores, represents 103% of target. NABARD have lent money to the agricultural sector through the short-term and term-loans for the development of the agriculture sectors in the economy².

Veerpaul Kaur Maan and Amritpal Singh (2013) a study titled "Role of NABARD and RBI in agricultural sector growth" analyses NABARD has taken over refinancing functions from the Reserve Bank of India with respect of State Cooperative Banks and Regional Rural banks. This study reveals NABARD is involved in the implementation of projects assisted by World Bank and its affiliate, the International

Development Association (IDA). NABARD has been associated with implementation of 42 projects with external credit out of which 38 projects are assisted by IBRD.

3. IMPORTANCE OF THE STUDY

Financial Analysis has great importance to various accounting users on various matters. Income Statements, Balance Sheets and other financial data provides information about expenses and sources of income, profit or loss and also helps in assessing the financial position of a business. To ascertain the performance of NABARD the Financial statements are analysed using various tools.

4. OBJECTIVES OF THE STUDY

1. To examine the productivity of the NABARD bank
2. To know about the profitability of the NABARD bank
3. To test the efficiency of the NABARD bank
4. To evaluate the capital adequacy of the NABARD bank
5. To evaluate the health of NABARD bank
6. To know the changes in assets and liabilities
7. To evaluate the growth percentage of fixed asset, own fund and net profit.
8. To Offer suggestion for the better performance of the NABARD bank.

5. RESEARCH METHODOLOGY

Research Design: Quantitative research is adopted in this study.

Time Period: The study carries out the time period under consideration, beginning from 2015-2019, in order to review the financial performance of the NABARD bank.

Type of Data: The data used in this study was collected through the secondary sources like websites, reports, books, journals, magazines, etc.

Tools Used: Ratio Analysis and Growth Analysis.

6. RESULTS AND DISCUSSIONS

i) **Table 1- Return on Asset Ratio**

YEAR	NET INCOME	TOTAL ASSET	ROA
2015	240.32	28580.86	0.84
2016	252.38	31038.49	0.81
2017	264.55	34826.03	0.76
2018	296.19	40664.16	0.73
2019	336.45	48747.04	0.69



ii) **Table 2- Interest Coverage Ratio**

Year	EBIT	INTEREST	ICR
2015	342.14	1292.80	0.26
2016	365.27	1543.86	0.24
2017	388.68	1626.79	0.23
2018	435.37	1784.71	0.24
2019	495.93	2219.87	0.22

iii) **Table 3- Net Interest Margin Ratio**

YEAR	NET INTEREST	TOTAL ASSET	NET INTEREST MARGIN RATIO
2015	233.84	28580.86	0.0081
2016	227.31	31038.49	0.0073
2017	280.09	34826.03	0.0080
2018	337.90	40664.16	0.0083
2019	394.31	48747.04	0.0081

iv) **Table 4- Capital Deposit Ratio**

YEAR	CAPITAL	DEPOSIT	CAPITAL DEPOSIT RATIO
2015	500.00	18645.42	0.027
2016	530.00	18978.63	0.028
2017	670.00	19441.48	0.034
2018	1058.00	21444.99	0.049
2019	1258.00	22414.66	0.056

v) **Table 5- Credit Deposit Ratio**

YEAR	CREDIT	DEPOSIT	CREDIT DEPOSIT RATIO
2015	24589.94	18645.42	131.88
2016	26049.34	18978.63	137.26
2017	30495.51	19441.48	156.86
2018	35211.05	21444.99	164.19
2019	43027.26	22414.66	191.96

vi) **Table 6- Growth of Fixed Assets**

YEAR	FIXED ASSET	GROWTH %
2015	32.52	-Ve
2016	35.25	8.39
2017	39.08	10.87
2018	47.12	20.57
2019	50.58	7.34

vii) **Table 7- Growth of Own Funds**

YEAR	Own FUNDS (Capital & Reserves)	GROWTH %
2015	2460.09	12.56
2016	2742.60	11.48
2017	3147.09	14.75
2018	3831.11	21.73
2019	4367.37	13.99



viii) Table 8- Growth of Net Profit

YEAR	NET PROFIT	GROWTH %
2015	240.33	29.19
2016	252.38	5.01
2017	264.55	4.82
2018	296.19	11.96
2019	336.45	13.59

7. FINDINGS

- The ROA ratio showing a declining trend from the year 2015-2019. Since there is steady growth rate in the total asset and the net income.
- The ICR ratio shows a declining trend in the year 2019 when compared to 2015.
- The NIM ratio remains the same in 2015 and 2019. It has been increased during the year 2018.
- The capital deposit ratio shows an increasing trend from 2015 to 2019 due to increase in capital as well as deposit.
- The credit deposit ratio shows an increasing trend from the year 2015 to 2019 because of increase in lending over deposit.
- The growth of fixed asset increased during the year 2015 to 2018 except the year 2019.
- There is a steady growth rate in the own funds of NABARD bank. It has been increased in 2015, 2017, 2018 due to increase in reserve and surplus.
- The growth of net profit increases during 2015 to 2019 due to the increases in profit earned during the period.
- The mean of ROA between 2015 and 2019 is 76% and the average rate of mean is 5.104%
- The mean of ICR between 2015 and 2019 is 25% and the average growth rate of the mean is -3.96%.
- The mean of NIM between 2015 and 2019 is 0.0079% and the average growth rate of the mean is almost 0.26%
- The mean capital deposit ratio between 2015 and 2019 is 0.039 and the average growth rate of the mean is almost 21%.
- The mean credit deposit ratio between 2015 and 2019 is 156.43 and the average growth rate of the mean is almost 10%.
- The mean rate of P/L between 2015 and 2019 is 277.98 and the average mean rate is almost 9%.

8. SUGGESTIONS

- ✓ The bank has to increase its ROA by reducing the asset costs and by increasing the revenue.
- ✓ The bank can make more funds from its own funds rather than going for borrowing at high cost.
- ✓ They should reduce lending over deposit to maintain their position.
- ✓ The bank should concentrate more in its growth of fixed assets, own funds and net profit.

9. LIMITATIONS

- Ratio must be compared with past results or with the results of a similar business to find out the efficiency of the business.
- Ratios alone are not adequate to indicate the financial position.
- There may be manipulation of accounts which may leads to inaccuracy of result.
- No final standards can be laid down for ideal ratios.
- It is a quantitative analysis and not a qualitative one.

10. SCOPE FOR FUTURE RESEARCH

The study can extended by analysing the financial performance of NABARD in further years, and it can be done by analysing particular segment.

11. CONCLUSION

The main objective of this study is to evaluate the performance of NABARD Bank. By this study it revealed that the bank performed very well. The bank can improve its ROA ratio, ICR ratio, and also the NIM ratio. The bank can reduce its lending over deposit by raising their capital by its own funds.

12. REFERENCES

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