

CHAPTER 8

LIQUIDITY

8.1 INTRODUCTION

The main role of the bank is to create credit and channelizing resources from the entities with excess funds to entities with a scarcity of funds. Banks collect money from the depositors in the form of demand and time deposits. While accepting deposits, bank plays the role of custodian of public money. The success of business of a bank depends partly on the efficiency with which it can provide services to its depositors and to a large extent on the public confidence it wins. Depositors must have confidence that the money they have given to bank will be repaid as and when demanded back. Bank must be able to return the money of depositors at any point of time. The banks, therefore, ensure adequate amount of liquidity in their assets so that they may be able to meet any claims (Srivastav and Nigam, 2010).

Liquidity means ability of an organisation to meet its current liabilities. “Liquidity of an organisation refers to ability to ensure the availability of funds so that obligations can be met at a reasonable price (Stigum and Branch, 1983)”. “Liquidity is the ability of a bank to fund increase in assets and meet obligations as they fall due, without incurring unacceptable losses (BIS, 2008)”. Liquidity in banks can be maintained by keeping funds in cash account or in balance with central bank or by making investment in highly liquid securities like government securities that can be sold easily with no or very minimal loss (Elliott, 2014).

Liquidity need arises from net deposit outflows or to meet routine expenses like interest payments and overhead costs. Deposits are either time deposits or saving deposits. Withdrawal of time deposits can be easily predicted but outflow of funds from saving deposits cannot be expected in advance. In order to meet these unexpected withdrawals from deposits account, banks have to maintain adequate amount of liquidity with them. For this purpose, every bank should try to keep more liquidity in its asset portfolio (Koch and Macdonald, 2014).

Daily liquidity needs of bank can be usually met by appropriate management of money position. Bank has to manage its short term, cyclical and trend needs for liquidity. A well managed bank will try to estimate these needs as accurately as possible through past experiences and knowledge of events that can affect liquidity.

“Short term liquidity need of a bank may arise from various sources like seasonal factors and types of customers of a bank etc. For example, seasonal factors

often affect deposit flows and loan demand. Cyclical liquidity needs of a bank are difficult to predict and are dependent upon uncontrollable factors such as boom or recession or changes in the interest rates etc. Trend liquidity needs are required by banks for liquidity demands that can be predicted over a longer time span. These longer term liquidity needs are generally related to the secular trends of the community or markets that a bank serves” (Hampel et. al., 1983).

Liquidity helps the bank to meet unexpected jolts like withdrawal of deposits by depositors in large amount or increase in demand for loan. The most extreme example of liquidity jolt is a ‘bank run’. A ‘bank run’ is one type of financial crisis where maximum depositors withdraw their deposits at the very same time from a bank. In this situation, bank will not be able to satisfy the demand of depositors and consequently, the bank will fail in spite of having sound financial position (Paul and Suresh, 2008). Hence, every bank should try to maintain liquidity to prevent itself from liquidity risk. If any bank has not maintained adequate liquidity then it has to face liquidity crisis and to save itself, it has to arrange funds at a high cost which in turn affects the profitability.

In India, the main reason of failure of banks in past years was lack of adequate liquidity. Failure of banks ignited the need to have a strong system to preserve liquidity, to gain confidence of people in banks and to prevent the situation of bank run or closure of banks. RBI has laid down the some norms which all the banks and financial institutions have to follow and have to maintain a specified amount of reserves as cash or bank balances with the central bank and as investment in approved securities. All such reserves that are to be maintained as legal requirement are termed as primary reserve and categorised as ‘cash reserve ratio (CRR) and statutory liquidity ratio (SLR)’.

“CRR is the proportion of total time and demand deposits of a bank which are to be kept with Reserve Bank of India in the form of cash or cash equivalents” (Joshi, 2012) . “After the amendment in section 42 (1) of RBI Act 1934, CRR is the amount of funds that are required to be maintained without any floor or ceiling rate with RBI with reference to their total net demand and time Liabilities (DTL) to ensure the liquidity and solvency of banks”. At present (on 15th August, 2016), the CRR is 4 percent. “As per RBI circular DBOD.No. Ret.BC. 19/12.01.001/2013-14, no incremental CRR is required to be maintained by the banks”

“Beside cash reserve ratio, every bank is required to maintain in India at the close of business every day, a certain percentage of their net demand and time liabilities as quick liquid assets in the form of cash, gold and un-encumbered approved securities. The ratio of quick liquid assets to demand and time liabilities is known as Statutory Liquidity Ratio” (Rawat, 2014). Present SLR (as on 15th August 2016) is 21 percent.

Liquidity crunch is one of the reasons of financial distress in the economy and it can be avoided by proper liquidity management. “Depression that fled away the Lehman Brothers was just an alarm to the leading developed and developing economies to cry out for such bitter experiences from a time before it strikes again. Following the Basel Committee recommendations, framing an effective liquidity risk management principles for the liquidity management of banking organisations was the only solution to avoid financial distress. RBI has made it obligatory for all banks to follow principles of liquidity and have made ‘Asset Liability Management’ mandatory for all the commercial banks.”

“A bank should maintain a cushion of unencumbered, high quality quick liquid assets to be held as insurance against a range of liquidity stress scenarios, including those that involve the loss or impairment of unsecured and typically available secured funding sources. There should be no legal, regulatory or operational impediment to using these assets to obtain funding (BIS, 2008)”.

Profitability and liquidity have negative correlation in a bank. To maintain high profitability, banks always prefer to invest maximum in high yield loan assets which results in low level of liquidity position. On the other hand, if a bank maintains a high degree of liquidity to ensure timely discharge of obligations then profitability of organisation will be low. So the main objective of the bank management is to create equilibrium between liquidity and profitability of bank which is very tedious job and needs expert handling and a critical evaluation of liabilities and assets of a bank from time to time as a continuous process. A bank should develop a proper system for managing liquidity so that both expected and unexpected liquidity requirements can be satisfied without adversely effecting profitability.

8.1.1 LIQUIDITY IN DCCBs

The district central cooperative banks generally deal with seasonal liquidity needs because these banks mainly provide agricultural loans to farmers. When farmers have to plant and fertilize crops, they have less deposits and demand more

loans. After the crops are sold loans would tend to fall and deposit increases. In both these situations these banks have to manage liquidity position very effectively and even on day to day basis.

8.2 STUDY OF LIQUIDITY RATIOS IN SELECTED DCCBs IN PUNJAB

In this chapter, an attempt has been made to study the liquidity position of DCCBs in Punjab during the period of study. Following ratios has been used to analyse and study it:

1. Quick Liquid Assets to Total Assets Ratio
2. Quick Liquid Assets to Total Deposits Ratio
3. Quick Liquid Assets to Demand Deposits Ratio
4. Government Securities to Total Assets Ratio
5. Cash to Deposits Ratio
6. Time Deposits to Total Deposits Ratio
7. Loans to Earning Assets Ratio

8.2.1 TRENDS IN QUICK LIQUID ASSETS TO TOTAL ASSETS RATIO OF DCCBs IN PUNJAB

Quick liquid assets of a bank include 'cash in hand, balance with RBI, balance in current account with other banks, money at call and short notice'. Quick assets to total assets ratio shows the fraction of quick liquid assets in the total assets of a bank. Calculated ratios of 'quick liquid assets to total assets' of DCCBs in Punjab during the period of the study have been presented in Table 8.1. The table shows that out of twenty DCCBs, nine DCCBs had registered declining trend in the compounded annual growth rate of the ratio. Kapurthala, Hoshiarpur and Nawanshahar DCCB had very high quick liquid assets to total assets ratio.

Kapurthala DCCB secured first rank among DCCBs with 33.36 percent as mean quick liquid assets to total assets ratio as shown in table 8.1. This DCCB observed a significant growth in the ratio at the compounded annual rate of 6.61 percent during the period of study. The ratio increased to 31.65 percent in 2006-07 from 26.69 percent in 2005-06 and came down to 23.02 percent in 2007-08. The ratio increased to 33.81 percent in year 2008-09 and decreased slightly to 33.56 percent in year 2009-10 before ultimately increasing to 41.20 percent in 2011-12. In 2012-13, this ratio had again declined to 38.17 percent. On the basis of trend coefficients, it may be foreseen that this ratio would further increase to 48.98 percent in 2016-17 and 55.23 percent in 2019-20.

Table 8.1 Trends in Quick Liquid Assets/Total Assets Ratio (percent) of DCCBs in Punjab

As on 31st March->	2006	2007	2008	2009	2010	2011	2012	2013	Mean	CAGR	t- value	Future Trend		Rank
												2017	2020	
Amritsar	6.01	5.13	5.95	18.77	20.21	19.29	5.22	4.43	10.63	1.88	0.30*	13.38	14.49	6
Bathinda	7.51	5.61	6.01	16.25	12.57	9.34	8.88	7.05	9.15	3.54	0.39*	10.89	11.59	7
Faridkot	5.10	3.96	2.94	2.77	3.19	4.14	3.65	2.66	3.55	-4.43	-1.47*	2.24	1.72	14
Fatehgarh Sahib	3.06	3.53	2.70	1.97	3.20	3.04	2.76	4.21	3.06	2.19	0.73*	3.63	3.85	18
Fazilka	4.69	5.77	3.27	3.24	3.39	2.51	6.21	3.54	4.08	-2.76	-0.44*	3.37	3.08	11
Ferozepur	4.27	4.20	4.67	2.93	3.30	1.77	2.25	2.24	3.20	-11.65	-4.25*	0.33	-0.82	16
Gurdaspur	4.28	2.86	1.60	2.42	2.35	4.60	3.55	2.64	3.04	1.01	0.06*	3.12	3.15	19
Hoshiarpur	18.52	25.33	19.00	32.42	29.08	34.84	33.99	38.59	28.97	10.41	4.92*	49.33	57.47	2
Jalandhar	3.79	3.06	3.41	2.94	3.07	2.62	2.98	3.43	3.16	-1.88	-1.13*	2.70	2.51	17
Kapurthala	26.69	31.65	23.02	33.81	33.56	38.73	41.20	38.17	33.36	6.61	3.57*	48.98	55.23	1
Ludhiana	16.38	19.24	11.64	23.14	18.98	25.06	23.70	19.08	19.65	5.14	1.48*	26.56	29.32	4
Mansa	4.83	3.30	3.52	4.41	3.74	5.21	3.99	3.87	4.11	0.49	0.12*	4.21	4.25	10
Moga	3.86	3.60	4.03	21.03	13.75	14.59	13.64	21.86	12.04	30.30	3.08*	29.96	37.12	5
Muktsar	5.22	3.29	2.74	4.08	5.42	6.80	5.66	6.22	4.93	8.62	2.16*	7.82	8.97	8
Nawanshahar	28.95	45.74	39.13	43.84	3.40	2.81	4.43	3.03	21.42	-36.34	-3.14*	-26.57	-45.76	3
Patiala	2.92	2.72	2.21	2.69	2.44	2.62	2.30	2.22	2.52	-2.77	-2.25*	1.97	1.76	20
Ropar	4.60	2.83	2.94	3.12	3.56	3.31	2.83	3.23	3.30	-2.33	-1.08*	2.59	2.30	15
Sangrur	3.35	2.68	2.56	11.18	3.00	2.47	6.07	6.06	4.67	8.45	0.67*	7.13	8.11	9
SAS Nagar	NA	4.76	3.53	4.02	3.42	3.49	4.37	3.00	3.80	-3.85	-1.37*	3	2	13
Tarn Taran	5.74	3.43	3.08	3.59	3.43	4.04	4.24	3.08	3.83	-2.98	-1.06*	2.77	2.34	12

Source: Annual reports of DCCBs

*Significant at 5%

Hoshiarpur DCCB followed Kapurthala DCCB with mean quick liquid assets to total assets ratio of 28.97 percent. The growth in the ratio was found to be significant at the compounded annual rate of 10.41 percent with wide ups and down during the period of study. The ratio was 18.52 percent in 2005-06, increased to 25.33 percent in 2006-07 and decreased to 19 percent in 2007-08. The ratio sharply jumped to 32.42 percent in year 2008-09 and then decreased to 29.08 percent in 2009-10. The ratio again increased and was 34.84 percent in year 2010-11 and decreased to 33.99 percent in year 2011-12 before reaching 38.59 percent in 2012-13. If the same trend persists, the ratio would further increase to 49.33 percent in 2016-17 and 57.47 percent in 2019-20.

Nawanshahar DCCB was at third rank among DCCBs with 21.42 percent as mean of quick liquid assets to total assets ratio as depicted from table 8.1. The DCCB registered a decline in the ratio at compounded annual rate of -36.34 percent with wide fluctuations and was found to be significant. The ratio was 45.74 percent in 2006-07 as compared to 28.95 percent in the first year of study i.e. 2005-06. Thereafter this ratio observed decline and reached to 39.13 percent in 2007-08 and then again increased to 43.84 percent in the next year. Afterwards this ratio showed an abrupt decline in the next two years and came down to 2.81 percent in year 2010-11. Ultimately it was 3.03 percent in the last year of study i.e. 2012-13. On the basis of future projections, it may be estimated that if the persisting conditions remains same then this ratio would come down to -26.57 percent and -45.76 percent in 2016-17 and 2019-20 respectively.

Fatehgarh Sahib DCCB was at eighteenth position with average quick liquid assets to total advances ratio of 3.06 percent as shown in table 8.1. The growth in ratio was found to be significant at the growth rate of 2.19 percent compounded annually. The ratio increased to 3.53 percent in 2006-07 as compared to 3.06 percent in the initial year of study. Thereafter ratio observed decline and came to 1.97 percent in 2008-09. But after that it had abruptly increased to 3.20 percent in the next year and then again it declined in the next two years and came to 2.76 percent in 2011-12. In the final year of study i.e. 2012-13, the ratio had jumped to 4.21 percent. On the basis of trend coefficients, it may be predicted that this ratio will be 3.63 percent in 2016-17 and 3.85 percent in 2019-20.

Gurdaspur DCCB was at nineteenth rank with mean quick liquid assets to total assets ratio of 3.04 percent. In 2005-06, the ratio was 4.28 percent but decreased for

two consecutive years and reached at 1.60 percent in 2007-08. It augmented to 2.42 percent in the next year and then decreased to 2.35 percent in 2009-10 and amplified to 4.60 percent in 2010-11. In the next two years, again the ratio decreased and came to 2.64 percent in 2012-13. This DCCB observed significant compounded annual growth of 1.01 percent in it during the period of study. If the same trend continues then the ratio would be 3.12 percent and 3.15 percent in 2016-17 and 2019-20 respectively.

The Patiala DCCB was at last rank among DCCBs with least mean quick liquid assets to total assets ratio of 2.52 percent. The ratio had shown declining trend for the first three years and came to 2.21 percent in 2007-08 from 2.92 percent in 2005-06. In next year, it increased to 2.69 percent but again decreased to 2.44 percent in 2009-10. After ups and downs, ratio reached at 2.22 percent in 2012-13. This DCCB observed significant compounded annual decline in ratio at the rate of 2.77 percent during the period of study. On the basis of trend coefficients, it may be foreseen that this ratio will come down to 1.97 percent and 1.76 percent in 2016-17 and 2019-20 respectively.

Above analysis reveals that three DCCBs i.e. Kapurthala, Hoshiarpur and Nawanshahar had very high proportion of quick liquid asset in the total assets of the banks. A very high liquidity affects the profitability of the bank. These banks should develop their high yield loans and advances portfolio to manage their funds effectively.

8.2.2 TRENDS IN QUICK LIQUID ASSETS TO TOTAL DEPOSITS RATIO OF DCCBs IN PUNJAB

‘Quick liquid assets to total deposits ratio’ assess the capability of a bank to repay its deposits well in time. Deposits include time deposits and demand deposits. Table 8.2 demonstrates that nine DCCBs out of twenty had negative and declining compounded annual growth in the quick liquid assets to total deposits ratio. Kapurthala, Hoshiarpur and Ludhiana DCCB had high liquidity position.

Among DCCBs, Kapurthala DCCB was at first rank with mean quick liquid assets to total deposits ratio of 45.57 percent as shown in table 8.2. This DCCB had recorded significant growth in the ratio at the compounded annual rate of 8.53 percent. The ratio witnessed an increase in 2006-07 and was 40.87 percent as compared to 34.10 percent in 2005-06. In the next year i.e. 2007-08, the ratio rapidly declined to 30.12 percent but jumped to 46.14 percent in 2008-09. Again in next year

it came down to 45.04 percent and then increased continuously for two years and touched 59.70 percent in 2011-12. In 2012-13, the quick liquid assets to total deposits ratio demonstrated a decline to 54.12 percent. On the basis of trends shown during the study period, it may be foreseen that this ratio would further increase to 72.89 percent in 2016-17 and 83.82 percent in 2019-20.

Table 8.2 exhibits that Hoshiarpur DCCB was at second rank with average quick liquid assets to total deposits ratio of 39.53 percent and compounded annual growth at the rate of 13.62 percent. No definite trend was found during the period of study. In 2005-06, the ratio was 21.35 percent, increased to 31 percent in 2006-07 and decreased to 24.56 percent in 2007-08. The ratio swelled to 47.06 percent in 2008-09 and again decreased to 39.42 percent in 2009-10. After fluctuating it was 55.46 percent in the last year of study i.e. 2012-13. If the same trend persists, the quick liquid assets to total deposits ratio will increase to 74.18 percent in 2016-17 and 88.04 percent in 2019-20.

Ludhiana DCCB secured third rank among DCCBs with 34.60 percent as mean 'quick liquid assets to total deposits ratio'. The ratio amplified to 31.62 percent in 2006-07 as against 23.73 percent in 2005-06. The ratio came down to 21.07 percent in 2007-08, it recorded steep increase in the next year, and touched to 42.70 percent in 2008-09. The DCCB followed fluctuating trend as the quick liquid assets to total deposits had again declined to 33.20 percent in 2009-10 and then increased to 45.54 percent in 2010-11. After showing continuous decline last year it came to 35.20 percent in 2012-13. The ratio had significant growth at compounded annual rate of 7.97 percent. The future prediction on the basis of linear trend equation is that the quick liquid assets to total deposits ratio will be 52.89 percent in 2016-17 and 60.20 percent in 2019-20.

Ropar DCCB was at eighteenth rank with mean quick liquid assets to total deposits ratio of 5.40 percent. The ratio was 6.23 percent in 2005-06. It decreased to 5.06 percent in the next year and thereafter observed increasing trend till the year 2009-10 and was 5.60 percent. Then it decreased continuously for two years and was 4.83 percent in 2011-12 but increased to 5.43 percent in 2012-13. The DCCB witnessed a significant declining trend in the ratio at the rate of 1.19 percent compounded annually. Keeping in view the trend coefficients, it may be predicted that the ratio of quick liquid assets to total deposits would further decline to 4.89 percent and 4.68 percent in 2016-17 and 2019-20.

Table 8.2 Trends in Quick Liquid Assets/Total Deposits Ratio (percent) of DCCBs in Punjab

As on 31st March->	Mean										CAGR	t- value	Future Trend	Rank
	2006	2007	2008	2009	2010	2011	2012	2013	2017	2020				
Amritsar	8.85	7.62	9.48	31.91	31.94	30.98	8.68	7.71	17.15	3.94	0.37*	22.67	24.88	8
Bathinda	13.30	10.46	11.47	32.27	21.77	16.39	17.70	14.59	17.24	4.82	0.51*	21.66	23.42	7
Faridkot	11.66	9.48	6.77	5.84	6.39	8.98	8.35	6.36	7.98	-4.58	-1.48*	4.81	3.54	12
Fatehgarh Sahib	6.36	7.71	6.75	4.92	8.30	7.15	6.81	10.21	7.28	4.12	1.45*	9.69	10.66	15
Fazilka	1.98	9.42	7.53	6.97	6.79	5.07	14.27	8.22	7.53	13.75	1.41*	12.92	15.07	14
Ferozepur	15.13	15.00	16.65	8.85	10.24	5.83	8.65	8.80	11.14	-10.75	-3.25*	1.58	-2.25	11
Gurdaspur	8.15	5.65	3.02	4.25	4.01	7.70	6.54	4.70	5.50	-0.44	-0.23*	4.97	4.76	17
Hoshiarpur	21.35	31.00	24.56	47.06	39.42	50.73	46.68	55.46	39.53	13.62	4.96*	74.18	88.04	2
Jalandhar	4.43	3.82	4.38	4.02	4.08	4.26	4.14	4.37	4.19	0.28	0.29*	4.26	4.29	20
Kapurthala	34.10	40.87	30.12	46.14	45.04	54.42	59.70	54.12	45.57	8.53	4.24*	72.89	83.82	1
Ludhiana	23.73	31.62	21.07	42.70	33.20	45.54	43.75	35.20	34.60	7.97	2.13*	52.89	60.20	3
Mansa	15.88	13.29	10.33	12.63	9.65	12.54	10.13	10.53	11.87	-4.56	-2.30*	7.45	5.68	9
Moga	6.55	6.78	7.43	41.82	22.95	30.02	29.97	44.27	23.72	33.70	3.36*	62.01	77.33	5
Muktsar	20.76	11.40	10.13	15.66	19.61	22.97	20.11	24.17	18.10	8.15	1.92*	27.91	31.83	6
Nawanshahar	37.94	65.13	55.41	62.85	4.68	4.79	5.99	4.12	30.11	-35.95	-2.95*	-36.18	-62.70	4
Patiala	6.88	7.77	6.16	7.23	6.69	7.01	6.64	6.31	6.84	-1.28	-1.18*	6.15	5.88	16
Ropar	6.23	5.06	5.11	5.52	5.60	5.41	4.83	5.43	5.40	-1.19	-1.05*	4.89	4.68	18
Sangrur	7.64	6.84	6.30	26.29	6.66	5.77	15.45	15.87	11.35	9.41	0.82*	18.44	21.28	10
SAS Nagar		6.10	4.54	5.85	4.88	4.60	6.14	4.39	5.21	-2.20	-0.74*	4.42	4.08	19
Tarn Taran	13.89	7.95	7.11	7.06	6.17	7.33	8.29	5.88	7.96	-6.74	-1.99*	3.08	1.12	13

Source: Annual reports of DCCBs

*Significant at 5%

Table 8.2 depicts that SAS Nagar was at nineteenth rank with mean quick liquid assets to total deposits ratio of 5.21 percent. DCCB experienced significant decline in it at the rate of 2.20 percent compounded annually. The ratio decreased to 4.54 percent in 2007-08 as against 6.10 percent in 2006-07. In the next year, it augmented to 5.85 percent but after decreasing for two years it reached at 4.60 percent in 2010-11. In 2011-12 after a sudden increase the ratio was 6.14 percent and then again decreased to 4.39 percent in 2012-13. If the present trend remains same, the quick liquid assets to total deposits ratio will be 4.42 percent and 4.08 percent in 2016-17 and 2019-20 respectively.

Jalandhar DCCB was at last rank among DCCBs with least mean quick liquid assets to total deposits ratio of 4.19 percent. The growth rate in it was 0.28 percent compounded annually and found to be significant. The ratio was 4.43 percent in 2005-06, came down to 3.82 percent in 2006-07 and increased to 4.38 percent in 2007-08. A decline in the quick liquid assets to total deposits ratio to 4.02 percent was observed in 2008-09 and then the ratio increased for next two years and reached at 4.26 in 2010-11. The ratio was 4.37 percent in 2012-13 after declining to 4.14 percent in 2011-12. On the basis of trend shown during the period of study, it can be foreseen that the quick liquid assets to total deposits ratio would be 4.26 percent and 4.29 percent in 2016-17 and 2019-20 respectively.

8.2.3 TRENDS IN QUICK LIQUID ASSETS TO DEMAND DEPOSITS RATIO OF DCCBs IN PUNJAB

Demand deposits of a bank are the deposits that can be withdrawn by the depositor at any time. 'Quick liquid assets to demand deposits' ratio measure the ability of DCCBs to meet unexpected demand of the depositors. It is evident from study of table 8.3 that six DCCBs out of twenty DCCBs had recorded declining trend in the ratio.

Among DCCBs, Kapurthala DCCB was at first rank with average quick liquid assets to demand deposits of 82 percent as shown in table 8.3. The ratio had augmented to 66.58 percent in 2006-07 as compared to 55.20 percent in 2005-06. In 2007-08, the ratio decreased to 50.60 percent but increased to 83.33 percent in the next year and decreased to 79.33 percent in 2009-10. Thereafter the ratio had witnessed an increase and came to 113.88 percent in 2011-12 which decreased in 2012-13 to 110.15 percent. The growth in ratio was found to be significant and positive at the rate of 11.87 compounded annually. If the same trend continues, it can be foreseen that the quick liquid assets to demand deposits ratio would further increase to 149.51 percent in year 2016-17 and 176.51 percent in 2019-20.

Table 8.3 Trends in Quick Liquid Assets/Demand Deposits Ratio (percent) of DCCBs in Punjab

As on 31st March->	2006	2007	2008	2009	2010	2011	2012	2013	Mean	CAGR	t- value	Future Trend		Rank
	2006	2007	2008	2009	2010	2011	2012	2013				2017	2020	
Amritsar	13.32	11.20	14.70	51.17	51.85	48.25	13.30	12.40	27.02	4.80	0.39*	36.43	40.20	8
Bathinda	23.50	18.31	22.52	73.11	46.73	34.20	37.82	35.74	36.49	9.17	0.83*	53.62	60.48	6
Faridkot	21.23	18.48	15.10	13.78	15.22	18.26	15.98	13.96	16.50	-3.50	-1.79*	11.82	9.95	14
Fatehgarh Sahib	10.74	12.36	12.42	9.95	17.76	13.79	13.70	23.69	14.30	8.61	2.49*	24.05	27.95	15
Fazilka	19.15	14.30	16.66	16.16	16.01	11.08	30.78	18.12	17.78	2.67	0.75*	22.99	25.07	12
Ferozepur	22.48	23.50	30.23	17.76	20.61	10.94	15.53	16.74	19.72	-8.04	-2.22*	7.66	2.84	11
Gurdaspur	12.32	8.42	5.29	8.13	7.44	14.60	11.72	8.99	9.61	2.91	0.49*	11.44	12.17	18
Hoshiarpur	35.62	51.31	44.30	90.35	78.18	99.01	95.14	119.17	76.63	17.87	6.50*	161.99	196.13	2
Jalandhar	7.21	6.04	7.09	7.28	7.46	7.59	7.79	8.85	7.42	3.56	3.44*	9.37	10.15	20
Kapurthala	55.20	66.58	50.60	83.33	79.33	96.91	113.88	110.15	82.00	11.87	5.94*	149.51	176.51	1
Ludhiana	37.49	50.50	36.66	78.72	64.43	86.02	86.24	77.22	64.66	12.77	3.67*	117.39	138.48	3
Mansa	27.15	24.15	27.11	33.38	26.64	29.25	22.81	25.43	26.99	-0.88	-0.42*	25.29	24.61	9
Moga	9.62	9.84	11.97	70.52	40.02	52.60	54.29	82.10	41.37	38.61	3.81*	114.68	144.00	5
Muktsar	33.26	17.62	16.66	28.38	37.34	43.38	39.25	53.65	33.69	13.31	3.12*	64.05	76.20	7
Nawanshahar	71.28	121.31	107.33	129.98	9.89	10.02	13.07	9.32	59.03	-34.13	-2.71*	-64.82	-114.35	4
Patiala	13.39	16.13	15.20	19.40	16.52	17.07	17.35	18.83	16.74	3.56	2.47*	20.92	22.59	13
Ropar	10.27	8.85	9.49	11.16	11.19	10.04	9.12	11.24	10.17	1.14	0.76*	11.04	11.39	17
Sangrur	12.65	12.12	13.76	61.56	15.37	12.61	37.05	42.42	25.94	15.92	1.20*	51.25	61.37	10
SAS Nagar	0.00	10.20	8.35	11.88	10.27	8.01	10.36	8.06	9.59	-2.36	-0.78*	8.02	7.35	19
Tarn Taran	20.97	11.74	11.09	11.96	11.04	12.56	14.11	11.09	13.07	-3.79	-1.30*	8.26	6.34	16

Source: Annual reports of DCCBs

*Significant at 5%

Table 8.3 elucidates that second rank was scored by Hoshiarpur DCCB with mean quick liquid assets to demand deposits ratio of 76.63 percent. A positive and significant growth was observed in the ratio at the rate of 17.87 percent compounded annually. In 2005-06 the quick liquid assets to demand deposits ratio was 35.62 percent, increased to 51.31 percent in 2006-07 and decreased to 44.30 percent in 2007-08. After an increase in 2008-09, the ratio had again declined to 78.18 percent in 2009-10 but again increased to 99.01 percent in 2010-11. In 2012-13 the ratio increased to 119.17 percent as compared to 95.14 percent in 2011-12. The trend coefficients give estimation that if same conditions persist then the quick liquid assets to demand deposits ratio will increase to 161.99 percent and 196.13 percent in 2016-17 and 2019-20 respectively.

Ludhiana DCCB was at third rank among DCCBs with 64.66 percent as mean quick liquid assets to demand deposits ratio. The ratio had augmented in 2006-07 to 50.50 percent from 37.49 percent in 2005-06 and decreased to 36.66 percent in 2007-08. There was an increase in the ratio in the next year to 78.72 percent and then decreased to 64.43 percent in 2009-10. Thereafter the ratio continuously increased for two consecutive years and reached at 86.24 percent in 2011-12 but came down in 2012-13 to 77.22 percent. The ratio in the DCCB had recorded a significant compounded annual growth rate of 12.77 percent. Trend coefficients give estimation that the quick liquid assets to demand deposits ratio would increase to 117.39 percent and 138.48 percent in 2016-17 and 2019-20 respectively.

Gurdaspur DCCB was at eighteenth rank among DCCBs with mean value of quick liquid assets to demand deposits ratio i.e. 9.61 percent. The DCCB had witnessed significant growth in the ratio at the rate of 2.91 percent compounded annually. In 2005-06, the quick liquid assets to demand deposits ratio was 12.32 percent. It decreased for two years and was 5.29 percent in 2007-08. The ratio had again increased to 8.13 percent in 2008-09, came down to 7.44 percent in 2009-10 and rose to 14.60 percent in the next year. The ratio declined for next two years and reached at 8.99 percent in 2012-13. If the present trend continues, the quick liquid assets to demand deposits ratio will be 11.44 percent and 12.17 percent in 2016-17 and 2019-20 respectively.

SAS Nagar secured nineteenth rank with mean quick liquid assets to demand deposits ratio of 9.59 percent as shown in table 8.3. The ratio recorded a significant decline at the rate of 2.36 percent compounded annually. The quick liquid assets to

demand deposits ratio was 10.20 percent in 2006-07, came down to 8.35 percent in 2007-08 and increased to 11.88 percent in 2008-09. After that ratio had declined for two years and reached to 8.01 percent in 2010-11. The ratio rose to 10.36 percent in 2011-12 but again decreased to 8.06 percent in 2012-13. On the basis of trend coefficients, it may be foreseen that the quick liquid assets to demand deposits ratio will be 8.02 percent in 2016-17 and 7.35 percent in 2019-20.

Among DCCBs, Jalandhar DCCB was at last rank with least mean of quick liquid assets to demand deposits ratio equal to 7.42 percent as shown in table 8.3. The DCCB showed significant compounded annual growth in the ratio of 3.56 percent during the study period. The liquid asset to demand deposits ratio decreased to 6.04 percent in 2006-07 from 7.21 percent in 2005-06. Thereafter, the ratio increased continuously till the final year of study i.e. 2012-13 and touched 8.85 percent. If the same trend continues, the quick liquid assets to demand deposits ratio would increase to 9.37 percent in 2016-17 and 10.15 percent in 2019-20.

8.2.4 TRENDS IN GOVERNMENT SECURITIES TO TOTAL ASSETS OF DCCBs IN PUNJAB

‘Government securities to total assets ratio’ depicts the fraction of government securities in the total assets of a bank. Two DCCBs i.e. Faridkot and Ferozepur DCCB had not invested any amount in government securities where as Amritsar and Tarn Taran DCCBs had very less investment in securities. These banks had poor resource base. Fourteen DCCBs had shown negative and declining trend in the investment of government securities. These ratios of DCCBs for the period of study have been shown in Table 8.4.

Among DCCBs, Ropar DCCB was at first rank with 7.58 percent as mean value of government securities to total assets ratio as shown in Table 8.4. The DCCB registered a significant growth in the ratio of 0.35 percent compounded annually. The government securities to total assets ratio in the initial year of study i.e. 2005-06 was 6.95 percent which increased to 8.92 percent in 2006-07. Afterwards the ratio observed declining trend till the year 2010-11 and touched 4.85 percent but again increased to 9.36 percent in 2011-12 and decreased to 9.22 percent in the final year of study i.e. 2012-13. If the same conditions prevail, it may be estimated that the government securities to total assets ratio would be 8.07 percent and 8.27 percent in 2016-17 and 2019-20 respectively.

Table 8.4 Trends in Government Securities/Total Assets Ratio (percent) of DCCBs in Punjab

As on 31st March->	Mean										CAGR	t- value	Future Trend		Ranking
	2006	2007	2008	2009	2010	2011	2012	2013	2017	2020					
Amritsar	0.25	0.23	0.19	0.16	0.15	0.14	0.12	0.11	0.17	-11.23	-11.35*	0.02	-0.04	18	
Bathinda	3.79	3.33	2.82	2.41	1.73	1.18	0.61	0.07	1.99	-37.54	-47.90*	-2.04	-3.66	14	
Faridkot	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00*	0.00	0.00	19	
Fatehgarh Sahib	4.53	3.95	3.16	2.26	1.70	1.03	1.63	2.47	2.59	-13.66	-3.23*	-0.35	-1.53	11	
Fazilka	4.59	3.86	3.21	2.80	2.49	1.68	1.17	0.71	2.56	-22.22	-28.01*	-1.50	-3.12	12	
Ferozepur	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00*	0.00	0.00	20	
Gurdaspur	3.52	3.22	2.77	2.46	2.02	9.08	12.57	12.06	5.96	25.07	3.37*	17.13	21.59	4	
Hoshiarpur	6.78	5.65	4.72	3.55	2.96	1.85	1.38	3.48	3.80	-16.05	-3.96*	-0.99	-2.90	8	
Jalandhar	5.56	4.82	4.19	2.97	2.61	1.68	3.34	6.35	3.94	-4.38	-0.45*	3.07	2.73	6	
Kapurthala	9.84	8.54	7.66	6.32	5.82	4.15	3.26	4.53	6.26	-13.48	-7.55*	-0.39	-3.06	3	
Ludhiana	5.63	4.76	4.12	3.41	3.20	3.46	3.94	3.11	3.95	-6.56	-3.29*	1.81	0.95	5	
Mansa	3.15	2.83	2.48	2.31	2.16	1.50	1.01	0.43	1.98	-21.85	-11.89*	-0.81	-1.93	15	
Moga	1.94	1.72	1.46	1.14	0.65	1.31	1.75	1.40	1.42	-3.59	-0.85*	1.01	0.85	16	
Muktsar	4.63	4.12	3.70	3.31	2.72	1.73	0.84	0.17	2.65	-32.77	-15.11*	-2.17	-4.11	10	
Nawanshahar	12.61	10.21	9.32	6.91	5.51	3.51	4.35	5.51	7.24	-14.56	-5.06*	-1.49	-4.99	2	
Patiala	4.94	4.31	3.80	3.54	2.78	2.44	2.84	2.47	3.39	-9.64	-6.70*	0.75	-0.30	9	
Ropar	6.95	8.92	8.64	6.97	5.74	4.85	9.36	9.22	7.58	0.35	0.23*	8.07	8.27	1	
Sangrur	5.78	4.75	4.34	3.72	3.35	2.63	2.01	4.48	3.88	-8.75	-2.27*	1.35	0.34	7	
SAS Nagar	NA	0.00	0.00	0.00	0.00	0.00	7.93	7.78	2.24	553.31	2.87*	12.04	16.24	13	
Tarn Taran	0.00	0.00	0.00	0.00	0.00	0.00	0.66	2.70	0.42	447.70	2.28*	2.40	3.19	17	

Source: Annual reports of DCCBs
*Significant at 5%

Table 8.4 reveals that Nawanshahar DCCB had mean 'government securities to total assets ratio' of 7.24 percent and secured second rank among DCCBs. The growth of ratio was found to be significant and negative at the compounded annual rate of 14.56 percent. The government securities to total assets ratio was 12.61 percent in 2005-06 and it continuously declined to 3.51 percent in the 2010-11. Thereafter, the ratio augmented for two years and jumped to 5.51 percent in 2012-13. Keeping in view the trend coefficients, it can be predicted that the government securities to total assets ratio would come down to -1.49 percent in 2016-17 and -4.99 percent in 2019-20.

Kapurthala DCCB followed Nawanshahar DCCB with 6.26 percent as mean value of 'government securities to total assets ratio' and secured third rank. A declining trend was seen during the period of study. The government securities to total assets ratio had decreased to 3.26 percent in 2011-12 from 9.84 percent in the first year of study i.e. 2005-06. The ratio increased to 4.53 percent in 2012-13. The DCCB registered a significant and negative trend of growth in ratio i.e. 13.48 percent compounded annually. On the basis of trend shown during the period of study, it may be foreseen that government securities to total assets ratio would come down to -0.39 percent in 2016-17 and -3.06 percent in 2019-20.

Amritsar DCCB had mean 'government securities to total assets ratio' of 0.17 percent and was at eighteenth rank as shown in table 8.4. A significant and declining trend was observed in it at the compounded annual rate of 11.23 percent. In 2005-06, the ratio was found to be 0.25 percent and then it had decreased to 0.16 percent in 2008-09 and 0.11 percent in 2012-13. Keeping in mind the trend coefficients, it can be predicted that ratio would further come down to 0.02 percent and -0.04 percent in 2016-17 and 2019-20 respectively.

Three DCCBs i.e. Ropar, Nawanshahar and Kapurthala DCCBs had highest investment in government securities as compared to other DCCBs.

8.2.5 TRENDS IN CASH TO DEPOSITS RATIO OF DCCBs IN PUNJAB

Cash to deposits ratio depicts the proportion of deposits which are supported by the absolute quick liquid assets i.e. cash. This ratio shows the absolute liquidity of banks. Cash of bank includes cash balance and balances with RBI. Table 8.5 elucidates that only six DCCBs had shown positive and increasing trend in the ratio. Kapurthala DCCB had very low percentage of cash to support its deposits.

First rank among DCCBs was attained by Sangrur DCCB with highest cash to deposits ratio i.e. 11.35 percent. The growth in the ratio was significant at the compounded annual rate of 9.41 percent. The DCCB had observed fluctuating trend with wide ups and downs in the ratio. As depicted in table 8.5, the cash to deposits ratio was 7.64 percent in 2005-06 and then observed falling trend for next two years and reached to 6.30 percent in 2007-08. It showed an extraordinary increase to 26.29 percent in 2008-09. The ratio decreased in the next two years and came to be 5.77 percent in 2010-11. In 2011-12 and 2012-13, the ratio increased very abruptly with 15.45 percent and 15.87 percent respectively. On the basis of trend equations, it may be predicted that if the same trend continues, the value of cash to deposits ratio would be 18.44 percent in 2016-17 and 21.28 percent in 2019-20.

Tarn Taran DCCB was at second rank among DCCBs with 7.96 percent as mean cash to deposits ratio. A significant and declining trend in the ratio was established at the rate of 6.74 percent during the period of study. In 2005-06, the ratio was 13.89 percent which decreased continuously for four years and came to be 6.17 percent in 2009-10. In the next two years, the ratio showed increase in value and reached to 8.29 percent in 2011-12 but came down again to 5.88 percent in 2012-13. Keeping in mind the trend coefficients, it may be estimated that the cash to deposits ratio would further decline to 3.08 percent and 1.12 percent in 2016-17 and 2019-20 respectively.

In the table 8.5, it is portrayed that with 7.30 percent as mean cash to deposits ratio, Amritsar DCCB was at third rank among DCCBs. The rate of growth in cash to deposits ratio i.e. 0.41 percent compounded annually was found to be significant and negative. The ratio observed continuous decline and reached at 5.48 percent in 2007-08 as compared to 8.83 percent in 2005-06. Thereafter, ratio showed an increase for the next three years and it was found to be 8.04 percent in 2010-11. In last two years, it decreased to 6.73 percent in 2012-13. On the basis of linear trend equation, the cash to deposits ratio would be 6.94 percent and 6.80 percent in 2016-17 and 2019-20 respectively.

Both Nawanshahar and SAS Nagar DCCBs were at eighteenth position with mean cash to deposits ratio of 2.29 percent. For Nawanshahar DCCB, the growth in cash to deposits ratio was found to be significant at the compounded annual rate of 1.94 percent with mean value of 2.29 percent. The cash to deposits ratio was found to be 2.94 percent in the initial year of study i.e. 2005-06 and it decreased to 2.03

percent and to 1.66 percent in 2006-07 and 2007-08 respectively. Afterwards, the ratio showed an increase for two years and reached at 2.38 percent in 2009-10 and again decreased to 1.79 percent in 2010-11. The ratio increased to 3.54 percent in 2011-12 but again decreased to 2.29 percent in 2012-13. Trend coefficients predict that if the same trend continues then the cash to deposits ratio would be 2.66 percent and 2.81 percent in 2016-17 and 2019-20 respectively.

SAS Nagar DCCB registered a significant growth at the rate of 26.89 percent compounded annually with mean cash to deposits ratio of 2.29 percent. The ratio had increased to 1.68 percent in 2008-09 as compared to 1.02 percent in 2006-07. The ratio came down to 1.38 percent in 2009-10. It increased for next two year and was 4.38 percent in 2011-12. In 2012-13, the cash to deposits ratio came down to 3.10 percent. If the same trend continues, it may be predicted that the cash to deposits ratio would increase to 5.87 percent in 2016-17 and 7.40 percent in 2019-20.

At nineteenth rank with mean value of cash to deposits ratio of 2.04 percent was Fatehgarh Sahib DCCB. The DCCB monitored an increasing trend in initial two years where value of ratio increased from 1.51 percent in 2005-06 to 3.05 percent in 2007-08. The ratio decreased for next two years and came to 1.66 percent in 2009-10 but again increased to 2.30 percent in the next year. The value of cash to deposits ratio decreased for last two years of the study and was 1.56 percent in 2012-13. The DCCB had a significant negative growth trend in the ratio at the rate of 0.95 percent compounded annually. Keeping in view the identical pattern of growth, the predicted value of cash to deposits ratio would be 1.84 percent and 1.76 percent in 2016-17 and 2019-20 respectively.

Table 8.5 reveals that Kapurthala DCCB was at last rank among DCCBs and had least mean cash to deposits ratio i.e. 1.73 percent. The DCCB observed decline in the ratio at the rate of 7.59 percent compounded annually which was found to be significant. In the first year i.e. 2005-06, the cash to deposits ratio was 2 percent which decreased to 1.75 percent in 2006-07. Then an increase in the ratio was observed for next two continuous years and the ratio was 2.29 percent in 2008-09. Thereafter, the ratio witnessed decline till the year 2011-12 and reached at 1.11 percent but increased in 2012-13 to 1.16 percent. If the present trend sustains, the value of cash to deposits ratio would be 0.83 percent and 0.47 percent in 2016-17 and 2019-20 respectively.

Table 8.5 Trends in Cash /Deposits Ratio (percent) of DCCBs in Punjab

As on 31st March->	2006	2007	2008	2009	2010	2011	2012	2013	Mean	CAGR	t- value	Future Trend		Rank
								2017				2020		
Amritsar	8.83	7.60	5.48	6.24	7.56	8.04	7.94	6.73	7.30	-0.41	-0.27*	6.94	6.80	3
Bathinda	4.72	4.08	3.70	2.70	3.71	1.55	2.27	2.37	3.14	-11.29	-3.78*	0.37	-0.74	13
Faridkot	5.25	5.01	3.54	3.27	2.39	3.27	4.12	1.86	3.59	-9.97	-2.70*	0.92	-0.15	11
Fatehgarh Sahib	1.51	1.97	3.05	2.21	1.66	2.30	2.02	1.56	2.04	-0.95	-0.32*	1.84	1.76	19
Fazilka	1.98	7.73	6.21	6.97	6.79	5.07	5.47	4.32	5.57	3.76	0.06*	5.70	5.75	5
Ferozepur	9.28	8.49	10.83	4.52	2.28	2.60	3.40	2.83	5.53	-19.16	-3.60*	-3.19	-6.67	6
Gurdaspur	8.15	5.65	3.02	4.25	4.01	7.70	6.54	4.70	5.50	-0.44	-0.23*	4.97	4.76	7
Hoshiarpur	4.05	4.34	3.02	3.27	2.28	1.99	2.45	2.16	2.94	-10.03	-4.56*	0.55	-0.40	14
Jalandhar	2.74	2.17	2.55	2.49	3.09	2.92	2.18	2.16	2.54	-1.22	-0.47*	2.33	2.25	16
Kapurthala	2.00	1.75	1.86	2.29	2.08	1.60	1.11	1.16	1.73	-7.59	-2.35*	0.83	0.47	20
Ludhiana	6.03	4.88	4.56	4.15	4.90	5.41	5.35	5.26	5.07	0.23	0.04*	5.10	5.11	8
Mansa	3.62	5.09	2.14	3.46	4.71	4.59	4.42	5.73	4.22	6.27	1.50*	6.01	6.72	9
Moga	4.20	4.69	4.04	0.84	1.54	2.09	1.48	1.59	2.56	-15.29	-2.93*	-0.96	-2.37	15
Muktsar	5.99	2.38	2.48	3.38	4.60	2.76	2.09	1.78	3.18	-9.65	-1.77*	0.61	-0.43	12
Nawanshahar	2.94	2.03	1.66	1.70	2.38	1.79	3.54	2.29	2.29	1.94	0.45*	2.66	2.81	18
Patiala	6.40	7.53	5.43	5.89	5.50	5.66	6.22	2.34	5.62	-9.01	-2.27*	2.53	1.29	4
Ropar	5.26	4.25	3.89	3.43	3.59	3.35	3.61	2.78	3.77	-6.53	-4.37*	1.81	1.02	10
Sangrur	7.64	6.84	6.30	26.29	6.66	5.77	15.45	15.87	11.35	9.41	0.82*	18.44	21.28	1
SAS Nagar	0.00	1.02	1.15	1.68	1.38	3.34	4.38	3.10	2.29	26.89	3.56*	5.87	7.40	18
Tarn Taran	13.89	7.95	7.11	7.06	6.17	7.32	8.29	5.88	7.96	-6.74	-1.99*	3.08	1.12	2

Source: Annual reports of DCCBs

*Significant at 5%

It is observed from above discussion that eleven DCCBs i.e. Bathinda, Faridkot, Fatehgarh Sahib, Hoshiarpur, Jalandhar, Kapurthala, Moga, Muktsar, Nawanshahar, Ropar and SAS Nagar had their cash deposits ratio less than 4 percent. On the other hand, Sangrur, Tarn Taran and Amritsar DCCBs had high cash deposits ratio and these banks are required to manage cash operations effectively.

8.2.6 TRENDS IN TIME DEPOSITS TO TOTAL DEPOSITS RATIO OF DCCBs IN PUNJAB

Time deposits are the deposits with fixed maturity period and a bank can manage their withdrawals smoothly. The higher time deposits to total deposits ratio reflects that bank can afford to have less liquidity. On perusal of table 8.6, it is clear that out of twenty DCCBs, only two DCCBs had declining trend in the 'time deposits to total deposits ratio'.

Amritsar DCCB ranked first with mean 'time deposits to total deposits ratio' of 35.70 percent as shown in table 8.6. The ratio was 33.70 percent in 2005-06 which decreased to 32.02 percent in next year and increased to 38.40 percent in 2009-10 but decreased to 34.73 percent in 2011-12, after declining for two consecutive years. It increased to 37.80 percent in 2012-13. Following a significant and analogous development at the rate of 1.50 percent compounded annually, the time deposits to total deposits ratio in 2016-17 and 2019-20 would be 39.61 percent and 41.17 percent respectively.

Taran Tarn DCCB was at second position among DCCBs with 39.62 percent average time deposits to total deposits ratio. The ratio declined from 33.76 in 2005-06 to 32.24 percent in the next year and increased to 44.13 percent in 2009-10 after rising for three years. The time deposits to total deposits ratio then declined for two years and was 41.24 percent in 2011-12 but again amplified to 47.01 percent in 2012-13. The time deposits to total deposits ratio would be 53.75 percent and 59.40 percent in 2016-17 and 2019-20 respectively after following a significant and identical growth at the rate of 4.97 percent compounded annually.

Moga DCCB ranked third among DCCBs with mean time deposits to total deposits ratio of 39.76 percent for the period of the study. The DCCB had a significant compounded annual growth in the ratio of 5.91 percent. The ratio was 31.87 percent in 2005-06 which declined to 31.12 percent in 2006-07 and ultimately increased to 46.08 percent in 2012-13. The ratio in 2016-17 and 2019-20 would be 56.27 percent and 62.87 percent respectively, if equivalent growth pattern prolongs.

Table 8.6 Trends in Time Deposits/Total Deposits Ratio (percent) of DCCBs in Punjab

As on 31st March->	2006	2007	2008	2009	2010	2011	2012	2013	Mean	CAGR	t- value	Future Trend	Rank	
												2017	2020	
Amritsar	33.70	32.02	35.53	37.64	38.40	35.78	34.73	37.80	35.70	1.50	1.74*	39.61	41.17	1
Bathinda	43.42	42.84	49.04	55.86	53.41	52.07	53.21	59.17	51.13	4.11	4.10*	66.20	72.23	15
Faridkot	45.06	48.72	55.14	57.58	58.03	50.84	47.72	54.42	52.19	1.18	0.75*	56.48	58.20	16
Fatehgarh Sahib	40.84	37.63	45.64	50.50	53.29	48.16	50.26	56.91	47.90	4.86	4.00*	64.51	71.15	13
Fazilka	89.66	34.15	54.77	56.90	57.57	54.28	53.64	54.66	56.95	-1.44	-0.73*	43.71	38.41	19
Ferozepur	32.67	36.19	44.94	50.19	50.30	46.73	44.27	47.44	44.09	4.55	2.27*	57.42	62.75	7
Gurdaspur	33.85	32.95	42.89	47.70	46.15	47.28	44.19	47.76	42.84	5.05	3.18*	57.59	63.49	4
Hoshiarpur	40.07	39.58	44.57	47.92	49.58	48.76	50.94	53.46	46.86	4.36	8.01*	61.57	67.46	12
Jalandhar	38.53	36.72	38.25	44.85	45.40	43.86	46.80	50.65	43.13	4.32	5.65*	56.76	62.22	5
Kapurthala	38.22	38.62	40.47	44.63	43.22	43.84	47.57	50.87	43.43	3.95	7.40*	56.12	61.19	6
Ludhiana	36.69	37.39	42.53	45.75	48.47	47.06	49.27	54.41	45.20	5.50	8.68*	63.04	70.17	9
Mansa	41.50	44.97	61.89	62.16	63.77	57.13	55.58	58.58	55.70	3.95	1.69*	69.98	75.69	18
Moga	31.87	31.12	37.93	40.69	42.66	42.94	44.80	46.08	39.76	5.91	7.53*	56.27	62.87	3
Muktsar	37.57	35.30	39.19	44.83	47.47	47.06	48.77	54.96	44.39	5.99	7.71*	63.62	71.31	8
Nawanshahar	46.78	46.32	48.37	51.65	52.65	52.23	54.16	55.83	51.00	2.74	9.12*	61.28	65.39	14
Patiala	48.62	51.84	59.46	62.75	59.48	58.93	61.70	66.51	58.66	3.62	3.98*	73.81	79.87	20
Ropar	39.33	42.80	46.19	50.51	49.94	46.08	47.02	51.69	46.70	2.85	2.79*	56.22	60.03	11
Sangrur	39.59	43.57	54.18	57.29	56.65	54.21	58.31	62.60	53.30	5.70	4.51*	74.21	82.57	17
SAS Nagar	0.00	40.19	45.67	50.73	52.47	42.63	40.72	45.53	45.42	-0.10	-0.07*	44.92	44.71	10
Tarn Taran	33.76	32.24	35.89	40.96	44.13	41.69	41.24	47.01	39.62	4.97	4.91*	53.75	59.40	2

Source: Annual reports of DCCBs

*Significant at 5%

Mansa DCCB was at eighteenth position with average time deposits to total deposits ratio of 55.70 percent. The DCCB witnessed a rising trend in initial four years of the study when ratio increased from 41.50 percent in 2005-06 to 63.77 percent in 2009-10. The ratio then decreased to 55.58 percent in 2011-12 after declining for two years and increased to 58.58 percent in the last year of the study. The DCCB recorded a significant growth rate in the ratio of 3.95 percent compounded annually. The ratio in 2016-17 and 2019-20 would be 69.98 percent and 75.69 percent respectively, if similar development drift continues.

Nineteenth among DCCBs was Fazilka DCCB with mean time deposits to total deposits ratio of 56.95 percent. The DCCB had witnessed a steep decline in 2006-07 where ratio decreased to 34.15 percent from 89.66 percent in 2005-06. The ratio then increased for three years and was 57.57 percent in 2009-10 and again decreased for two years and was 53.64 percent in 2011-12. The ratio increased to 54.66 percent in 2012-13. The ratio in this DCCB had observed a significant negative annual compounded growth at the rate of 1.44 percent. The ratio would be 43.71 percent and 38.41 percent in 2016-17 and 2019-20, if the comparable growth tendency sustains.

Patiala DCCB secured last rank among DCCBs with mean time deposits to total deposits ratio of 58.66 percent as shown in table 8.6. The DCCB had recorded a significant growth in the ratio of 3.62 percent compounded annually. The DCCB had time deposits to total deposits ratio of 48.62 percent in 2005-06 which increased to 62.75 percent in 2008-09 after following an escalating trend for three years. The ratio then decreased for next two years and was 58.93 percent in 2010-11 and increased in last two years of study and ratio in 2012-13 was found to be 66.51 percent. If identical growth pattern persists, the ratio would be 73.81 percent and 79.87 percent in 2016-17 and 2019-20 respectively.

8.2.7 TRENDS IN LOANS TO EARNING ASSETS RATIO OF DCCBs IN PUNJAB

Loans to earning assets ratio determines the proportion of loans and advances in the total earning assets of a bank. Earning assets comprises of loans and advances and investments. More investment in loans and advances means a bank had invested in illiquid investment and liquidity of the bank will be less. It is clear from table 8.7 that only two DCCBs had increasing trend in the loans to earning assets ratio while other DCCBs had shown declining trend in the ratio.

Table 8.7 Trends in Loans to Earning Assets Ratio (percent) of DCCBs in Punjab

As on 31st March->	2006	2007	2008	2009	2010	2011	2012	2013	Mean	CAGR	t- value	Future Trend		Rank
												2017	2020	
Amritsar	78.94	78.32	77.17	63.60	62.06	64.98	64.74	62.36	69.02	-3.67	-3.92*	49.19	41.26	8
Bathinda	84.69	86.10	84.35	73.70	77.26	78.11	80.32	82.06	80.82	-0.89	-1.15*	75.25	73.02	10
Faridkot	87.55	87.67	88.33	86.41	85.72	87.18	87.19	87.24	87.16	-0.12	-0.83*	86.38	86.07	14
Fatehgarh Sahib	85.94	86.90	88.95	88.86	89.51	88.33	87.15	88.13	87.97	0.21	0.98*	89.34	89.89	16
Fazilka	86.56	86.77	88.22	86.56	85.79	86.33	83.96	84.57	86.10	-0.48	-2.79*	83.03	81.81	13
Ferozepur	89.76	90.59	91.34	89.26	89.41	90.31	88.84	89.25	89.85	-0.20	-1.54*	88.48	87.93	19
Gurdaspur	85.44	84.98	86.03	84.46	83.08	83.95	82.65	82.77	84.17	-0.54	-4.34*	80.78	79.43	11
Hoshiarpur	59.56	53.08	60.79	48.83	50.37	46.03	46.56	42.23	50.93	-4.50	-4.45*	33.37	26.34	5
Jalandhar	41.29	42.66	56.70	42.45	43.72	36.32	44.09	42.83	43.76	-1.05	-0.53*	40.01	38.51	2
Kapurthala	51.97	46.95	55.66	44.16	45.14	41.08	38.51	36.88	45.04	-4.97	-4.19*	28.02	21.22	3
Ludhiana	66.28	62.63	72.49	59.98	64.67	58.84	60.97	63.90	63.72	-1.11	-1.11*	58.25	56.07	7
Mansa	89.85	91.97	90.89	89.72	88.85	88.34	87.75	89.33	89.59	-0.44	-2.48*	86.62	85.43	18
Moga	82.42	82.47	82.06	65.45	70.15	67.39	69.82	65.50	73.16	-3.47	-3.63*	53.42	45.53	9
Muktsar	91.23	92.10	92.35	90.47	91.13	88.42	91.11	90.02	90.85	-0.32	-1.72*	88.66	87.78	20
Nawanshahar	34.98	31.16	38.18	31.96	30.04	23.93	30.70	30.62	31.44	-2.90	-1.62*	24.52	21.75	1
Patiala	87.93	89.16	90.09	89.87	88.89	89.11	87.80	89.30	89.02	-0.01	-0.10*	88.92	88.88	17
Ropar	64.79	59.47	73.81	58.27	59.99	55.72	51.60	52.22	59.48	-3.55	-2.60*	43.42	36.99	6
Sangrur	87.03	88.97	88.10	86.32	87.08	87.56	88.07	88.24	87.67	0.04	0.26*	87.94	88.05	15
SAS Nagar	0.00	45.05	55.70	48.22	45.37	45.01	44.56	48.44	47.48	-1.06	-0.70*	43.64	42.00	4
Tarn Taran	87.71	87.08	88.15	85.95	84.49	84.33	82.07	82.79	85.32	-1.01	-6.35*	78.86	76.27	12

*Significant at 5%

Source: Annual reports of DCCBs

Nawanshahar DCCB ranked first among DCCBs with mean loans to earning assets ratio of 31.44 percent. The DCCB observed a significant negative growth in the ratio at the rate of 2.90 percent compounded annually. The ratio declined to 31.16 percent in 2006-07 from 34.98 percent in 2005-06. The ratio increased to 38.18 percent in 2007-08 and declined to 23.93 percent in 2010-11 after diminishing for three consecutive years. The loans to earning assets ratio increased to 30.70 in the next year and decreased to 30.62 percent in 2012-13. If indistinguishable development model prolongs, the ratio would be 24.52 percent and 21.75 percent in 2016-17 and 2019-20 respectively.

Jalandhar DCCB was at second rank among DCCBs with mean loans to earning assets ratio of 43.76 percent as shown in table 8.7. The ratio increased to 56.70 percent in 2007-08 from 41.29 percent in 2005-06 after escalating for two years. The ratio decreased to 42.45 percent in 2008-09 and increased to 43.72 percent in the next year but declined to 36.32 percent in 2010-11. The loans to earning assets ratio increased to 44.09 percent in 2011-12 but again decreased to 42.83 percent in 2012-13. The DCCB had witnessed a significant compounded annual negative growth in the ratio at the rate of 1.05 percent. If comparable development pattern sustains, the loans to earning assets ratio would be 40.01 percent and 38.51 percent in 2016-17 and 2019-20 respectively.

Third among DCCBs was Kapurthala DCCB with 45.04 percent mean loans to earning assets ratio. The DCCB monitored a decline in the ratio to 46.95 percent in 2006-07 from 51.97 percent in 2005-06. The ratio increased to 55.66 percent in 2007-08 and decreased to 44.16 percent in the next year but again increased to 45.14 percent in 2009-10. Loans to earning assets ratio declined for remaining period of the study and was recorded as 36.88 percent in 2012-13. The ratio in 2016-17 and 2019-20 would be 28.02 percent and 21.22 percent respectively following a significant and analogous negative compounded annual growth at the rate of 4.97 percent.

Mansa DCCB with mean loans to earning assets ratio of 89.59 percent secured eighteenth rank among DCCBs. The loans to earning assets ratio increased to 91.97 percent in 2006-07 from 89.85 percent in 2005-06. The ratio decreased to 87.75 percent in 2011-12 after diminishing for five consecutive years. The ratio increased to 89.33 percent in 2012-13. The loans to earning assets ratio in 2016-17 and 2019-20 would be 86.62 percent and 85.43 percent respectively with a significant annual negative growth pattern at the rate of 0.44 percent.

Nineteenth rank among DCCBs was of Ferozepur DCCB with 89.85 percent mean loans to earning assets ratio. The ratio after increasing for two years was recorded to be 91.34 percent in 2007-08 as compared to 89.76 percent in 2005-06. The loans to earning assets ratio declined to 89.26 percent in 2008-09 and increased to 90.31 percent in 2010-11 after escalating for two years. The ratio declined to 88.84 percent in the next year but ultimately it was 89.25 percent in 2012-13. The ratio in the DCCB had a significant negative growth at the rate of 0.20 percent compounded annually. The loans to earning assets ratio would be 88.48 percent and 87.93 percent in 2016-17 and 2019-20 respectively, if similar tendency of growth persists.

Among DCCBs, Muktsar DCCB was at last rank with mean loans to earning assets ratio of 90.85 percent as shown in table 8.7. The ratio increased to 92.35 percent in 2007-08 from 91.23 percent in 2005-06 and declined to 90.47 percent in 2008-09. The loans to earning assets ratio was 91.13 percent in 2009-10 and declined to 88.42 percent in 2010-11. The ratio improved to 91.11 percent in 2011-12 but again diminished to 90.02 percent in 2012-13. The loans to earning assets ratio in 2016-17 and 2019-20 would be 88.66 percent and 87.78 percent respectively after following a significant and comparable annual compounded decline at the rate of -0.32 percent.

It is clear from above discussion that Mansa, Ferozepur and Muktsar DCCBs should increase their investment base so that liquidity can be maintained in these DCCBs.

8.3 COMPARATIVE STUDY OF LIQUIDITY OF DCCBs IN PUNJAB

Comparative liquidity on the basis of mean values in DCCBs of Punjab during the period of study has been shown in table 8.8 and table 8.9 shows CAGR. Perusal of these tables shows:

- **QUICK LIQUID ASSETS TO TOTAL ASSETS RATIO**

Out of twenty DCCBs of Punjab, Kapurthala DCCB had highest mean quick liquid assets to total assets of 33.36 percent followed by Hoshiarpur DCCB and Nawanshahar DCCB with 28.97 percent and 21.42 percent respectively. Whereas Patiala DCCB had least quick liquid assets to total assets ratio of 2.52 percent followed by Gurdaspur DCCB and Fatehgarh Sahib DCCB with 3.04 percent and 3.06 percent respectively.

In terms of growth in the ratio, the highest growth rate was observed in Moga DCCB with compounded annual growth rate of 30.30 percent and followed by Hoshiarpur DCCB and Muktsar DCCB with 10.41 percent and 8.62 percent respectively.

Table 8.8 Comparative Analysis of Liquidity of DCCBs in Punjab in terms of Mean

DCCB	Quick Liquid Assets/ Total Assets (%)	Quick Liquid Assets/ Total Deposits (%)	Quick Liquid Assets/ Demand Deposits (%)	Govt Securities/ Total Assets (%)	Cash / Deposits Ratio (%)	Time Deposits/ Total Deposits (%)	Loans To Earning Assets (%)
Amritsar	10.63	17.15	27.02	0.17	7.30	35.70	69.02
Bathinda	9.15	17.24	36.49	1.99	3.14	51.13	80.82
Faridkot	3.55	7.98	16.50	0.00	3.59	52.19	87.16
Fatehgarh Sahib	3.06	7.28	14.30	2.59	2.04	47.90	87.97
Fazilka	4.08	7.53	17.78	2.56	5.57	56.95	86.10
Ferozepur	3.20	11.14	19.72	0.00	5.53	44.09	89.85
Gurdaspur	3.04	5.50	9.61	5.96	5.50	42.84	84.17
Hoshiarpur	28.97	39.53	76.63	3.80	2.94	46.86	50.93
Jalandhar	3.16	4.19	7.42	3.94	2.54	43.13	43.76
Kapurthala	33.36	45.57	82.00	6.26	1.73	43.43	45.04
Ludhiana	19.65	34.60	64.66	3.95	5.07	45.20	63.72
Mansa	4.11	11.87	26.99	1.98	4.22	55.70	89.59
Moga	12.04	23.72	41.37	1.42	2.56	39.76	73.16
Muktsar	4.93	18.10	33.69	2.65	3.18	44.39	90.85
Nawanshahar	21.42	30.11	59.03	7.24	2.29	51.00	31.44
Patiala	2.52	6.84	16.74	3.39	5.62	58.66	89.02
Ropar	3.30	5.40	10.17	7.58	3.77	46.70	59.48
Sangrur	4.67	11.35	25.94	3.88	11.35	53.30	87.67
SAS Nagar	3.80	5.21	9.59	2.24	2.29	45.42	47.48
Tarn Taran	3.83	7.96	13.07	0.42	7.96	39.62	85.32

Source Compiled from various computed values

Table 8.9 comparative Analysis of Liquidity in terms of CAGR

DCCB	Quick Liquid Assets/ Total Assets (%)	Quick Liquid Assets/ Total Deposits (%)	Quick Liquid Assets/ Demand Deposits (%)	Govt. Securities/ Total Assets (%)	Cash / Deposits Ratio (%)	Time Deposits/ Total Deposits (%)	Loans To Earning Assets (%)
Amritsar	1.88	3.94	4.80	-11.23	-0.41	1.50	-3.67
Bathinda	3.54	4.82	9.17	-37.54	-11.29	4.11	-0.89
Faridkot	-4.43	-4.58	-3.50	0.00	-9.97	1.18	-0.12
Fatehgarh Sahib	2.19	4.12	8.61	-13.66	-0.95	4.86	0.21
Fazilka	-2.76	13.75	2.67	-22.22	3.76	-1.44	-0.48
Ferozepur	-11.65	-10.75	-8.04	0.00	-19.16	4.55	-0.20
Gurdaspur	1.01	-0.44	2.91	25.07	-0.44	5.05	-0.54
Hoshiarpur	10.41	13.62	17.87	-16.05	-10.03	4.36	-4.50
Jalandhar	-1.88	0.28	3.56	-4.38	-1.22	4.32	-1.05
Kapurthala	6.61	8.53	11.87	-13.48	-7.59	3.95	-4.97
Ludhiana	5.14	7.97	12.77	-6.56	0.23	5.50	-1.11
Mansa	0.49	-4.56	-0.88	-21.85	6.27	3.95	-0.44
Moga	30.30	33.70	38.61	-3.59	-15.29	5.91	-3.47
Muktsar	8.62	8.15	13.31	-32.77	-9.65	5.99	-0.32
Nawanshahar	-36.34	-35.95	-34.13	-14.56	1.94	2.74	-2.90
Patiala	-2.77	-1.28	3.56	-9.64	-9.01	3.62	-0.01
Ropar	-2.33	-1.19	1.14	0.35	-6.53	2.85	-3.55
Sangrur	8.45	9.41	15.92	-8.75	9.41	5.70	0.04
SAS Nagar	-3.85	-2.20	-2.36	553.31	26.89	-0.10	-1.06
Tarn Taran	-2.98	-6.74	-3.79	447.70	-6.74	4.97	-1.01

Source Compiled from various calculated values

On the other hand, Nawanshahar DCCB was having lowest growth rate in ratio i.e. -36.34 percent compounded annually followed by Ferozepur DCCB with -11.65 percent and Faridkot DCCB with -4.43 percent respectively.

- **QUICK LIQUID ASSETS TO TOTAL DEPOSITS RATIO**

The highest 'quick liquid assets to total deposits' was observed by Kapurthala DCCB with 45.57 percent followed by Hoshiarpur DCCB and Ludhiana DCCB with 39.53 percent and 34.60 percent respectively. On the other hand, the lowest mean ratio of 'quick liquid assets to total deposits' was found to be of Jalandhar DCCB i.e. 4.19 percent and after that SAS Nagar had come with 5.21 percent and Gurdaspur DCCB with 5.50 percent.

In terms of growth, Moga DCCB had shown highest compounded annual growth of 33.70 percent in the quick liquid assets to total deposits ratio and it was followed by Fazilka DCCB and Hoshiarpur DCCB with 13.75 percent and 13.62 percent compounded annually respectively. While Ferozepur DCCB showed lowest growth in quick liquid assets to total deposits ratio at the compounded annual rate of -10.75 percent followed by Tarn Taran DCCB and Faridkot DCCB at the rate of -6.74 percent and -4.58 percent compounded annually respectively.

- **QUICK LIQUID ASSETS TO DEMAND DEPOSITS RATIO**

Kapurthala DCCB had the highest mean quick liquid assets to demand deposits ratio of 82 percent and it was followed by Hoshiarpur DCCB and Ludhiana DCCB with 76.63 percent and 64.66 percent. Whereas Jalandhar DCCB had the lowest mean ratio of quick liquid assets to total deposits i.e. 7.42 followed by SAS Nagar with mean ratio of 9.59 percent and Gurdaspur DCCB with 9.61 percent.

Moga DCCB had highest growth in the ratio at the compounded annual rate of 38.61 percent and followed by Hoshiarpur DCCB and Sangrur DCCB with compounded annual growth rate of 17.87 percent and 15.92 percent respectively. While Nawanshahar DCCB, Ferozepur DCCB and Tarn Taran DCCB had observed lowest growth in the ratio at the compounded annual rate of -34.13 percent, -8.04 percent and -3.79 percent respectively.

- **GOVERNMENT SECURITIES TO TOTAL ASSETS RATIO**

The highest 'government securities to total assets ratio' was in Ropar DCCB i.e. 7.58 percent and after it Nawanshahar DCCB and Kapurthala DCCB came with mean 'government securities to total assets ratio' of 7.24 percent and 6.26 percent

respectively. Faridkot and Ferozpur DCCB had not invested any amount in government securities and Amritsar DCCB had the lowest mean ratio of 0.17 percent.

In terms of growth in government securities to total assets ratio, SAS DCCB showed higher growth rate of 553.31 percent compounded annually and followed by Tarn Taran with 447.70 percent and Gurdaspur with 25.07 percent compounded annually. On the other hand, Bathinda DCCB, Muktsar DCCB and Fazilka DCCB observed negative growth in the ratio at the compounded annual rate of -37.54 percent, -32.77 percent and -22.22 percent respectively.

- **CASH TO DEPOSITS RATIO**

Sangrur DCCB had observed highest mean cash to deposits ratio of 11.35 percent followed by Tarn Taran DCCB with 7.96 percent and Amritsar DCCB with 7.30 percent. Kapurthala DCCB observed lowest mean cash to deposits ratio of 1.73 percent followed by Fatehgarh Sahib DCCB with mean ratio of 2.04 percent, Nawanshahar DCCB with 2.29 percent and SAS Nagar DCCB with mean ratio of 2.29 percent respectively.

SAS Nagar DCCB recorded highest growth in cash to deposit ratio at 26.89 percent compounded annually followed by Sangrur DCCB with 9.41 percent and Mansa DCCB with 6.27 percent compounded annually. Ferozpur DCCB had recorded lowest growth in the ratio at the compounded annual rate of -19.16 percent and followed by Moga DCCB at the rate of -15.29 percent and Bathinda DCCB with -11.29 percent compounded annually.

- **TIME DEPOSITS TO TOTAL DEPOSITS RATIO**

Patiala DCCB had highest mean 'time deposits to total deposits ratio' of 58.66 percent followed by Fazilka DCCB with mean ratio of 56.95 percent and Mansa DCCB with 55.70 percent. On the other hand, Amritsar DCCB had lowest mean time deposits to total deposits ratio i.e. 35.70 percent followed by Tarn Taran DCCB with 39.62 percent and Moga DCCB with 39.76 percent.

The Muktsar DCCB had the highest growth at the compounded annual rate of 5.99 percent which was followed by Moga DCCB with 5.91 percent compounded annually and Sangrur DCCB with 5.70 percent compounded annually in time deposits to total deposits ratio. Fazilka DCCB, SAS Nagar DCCB and Faridkot DCCB had observed lowest growth in ratio at the rate of -1.44 percent, -0.10 percent and 1.18 percent compounded annually respectively.

Table 8.10 Liquidity Analysis of DCCBs of Punjab

DCCB	Liquid Assets/ Total Assets (%)	Liquid Assets/ Total Deposits (%)	Liquid Assets/ Demand Deposits (%)	Govt Securities/ Total Assets (%)	Cash /Deposits Ratio (%)	Time Deposits/ Total Deposits (%)	Loans To Earning Assets (%)	Total	Overall Rank
Amritsar	6.0	8.0	8.0	18.0	3.0	20.0	8	71.0	8
Bathinda	7.0	7.0	6.0	14.0	13.0	6.0	10	63.0	6
Faridkot	14.0	12.0	14.0	19.0	11.0	5.0	14	89.0	14
Fatehgarh Sahib	18.0	15.0	15.0	11.0	19.0	8.0	16	102.0	20
Fazilka	11.0	14.0	12.0	12.0	5.0	2.0	13	69.0	7
Feozepur	16.0	11.0	11.0	20.0	6.0	14.0	19	97.0	18.5
Gurdaspur	19.0	17.0	18.0	4.0	7.0	17.0	11	93.0	16
Hoshiarpur	2.0	2.0	2.0	8.0	14.0	9.0	5	42.0	2.5
Jalandhar	17.0	20.0	20.0	6.0	16.0	16.0	2	97.0	18.5
Kapurthala	1.0	1.0	1.0	3.0	20.0	15.0	3	44.0	4
Ludhiana	4.0	3.0	3.0	5.0	8.0	12.0	7	42.0	2.5
Mansa	10.0	9.0	9.0	15.0	9.0	3.0	18	73.0	9.5
Moga	5.0	5.0	5.0	16.0	15.0	18.0	9	73.0	9.5
Muktsar	8.0	6.0	7.0	10.0	12.0	13.0	20	76.0	11
Nawanshahar	3.0	4.0	4.0	2.0	17.5	7.0	1	38.5	1
Patiala	20.0	16.0	13.0	9.0	4.0	1.0	17	80.0	13
Ropar	15.0	18.0	17.0	1.0	10.0	10.0	6	77.0	12
Sangrur	9.0	10.0	10.0	7.0	1.0	4.0	15	56.0	5
SAS Nagar	13.0	19.0	19.0	13.0	17.5	11.0	4	96.5	17
Tarn Taran	12.0	13.0	16.0	17.0	2.0	19.0	12	91.0	15

Source: Calculated from various computed values

- **LOANS TO EARNING ASSETS RATIO**

Muktsar DCCB had the highest mean loans to earning assets ratio i.e. 90.85 percent followed by Ferozepur and Mansa DCCB with mean ratio of 89.85 percent and 89.59 percent respectively. On the other hand, Nawanshahar DCCB had lowest mean ratio of loans to earning assets i.e. 31.44 percent and it was followed by Jalandhar DCCB with mean ratio of 43.76 percent and Kapurthala DCCB with mean ratio of 45.04 percent.

In terms of growth, out of twenty DCCBs only two DCCBs had shown positive growth in loans to earning assets ratio. Fatehgarh Sahib DCCB and Sangrur DCCB had observed growth at the compounded annual rate of 0.21 percent and 0.04 percent respectively in this ratio. Lowest growth was observed in Kapurthala DCCB at the rate of -4.97 percent compounded annually followed by Hoshiarpur DCCB and Amritsar DCCB with -4.50 percent and -3.67 percent compounded annually.

- **COMPOSITE RANKING OF DCCBs IN TERMS OF LIQUIDITY RATIO**

Table 8.10 elucidates overall ranking of DCCBs on the basis of various parameters of liquidity position of DCCBs analysed in this chapter during the period of study. Nawanshahar, Hoshiarpur and Ludhiana DCCBs were the best banks where as Fatehgarh Sahib, Jalandhar and SAS Nagar DCCBs need more efforts to improve their liquidity.

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