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LIQUIDITY PERFORMANCE OF RRBS IN UNDIVIDED ANDHRA PRADESH

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1. Introduction

The obligation of banks to return the depositors money, is the cornerstone of definition of banking business and as such has been enjoined in the banking statutes of many a countries. The Banking Regulation Act, 1949 also defines banking as "the accepting for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and with drawable by cheque, draft, order or otherwise." thereby making the meeting of claims of depositors as the statutory responsibility of the bank. This statutory obligation clearly underlines the need for a optimum liquidity management. Besides depositors, the creditors are also concerned with the liquidity aspect of bank as they have to ensure whether the client bank is in a position to meet its short-term obligations of regular payment of interest and principal installment.

Liquidity has been defined as the capacity to meet short-term financial commitments, i.e., short-term solvency. Bank liquidity management as the process of generating funds to meet contractual or relationship obligations at reasonable prices at all times. In general, the contractual obligations of a banker are to meet deposit withdrawals and/or borrowing repayments, and relationship obligations cover loan demand. In the banking business, liquidity is the most important critical factor for the continued existence of a bank. The whole edifice of banking operations is built on the deposits provided by the public. Bank as a trustee is responsible for managing and using the deposits and at the same time under obligation to return the money as and when desired by depositors. The trust of the depositors is guided by the liquidity position of a bank.

A bank, howsoever, profitable and solvent shall not be able to carry on the business of banking unless it evokes the trust and confidence of the depositors at large, by promptly and fully meeting the claims of depositors as and when they arise, which is in other words, termed as liquidity. The relative importance of the three macro dimensions of a bank, viz. liquidity, solvency and profitability were demonstrated in 1920s and 1930s when bank failures were very high. Though the hank capital percentage was high in relation to assets and deposits and profitability quite good, the banks in these decades suffered only due to liquidity crunch that was due to large proportion of illiquid assets in the banks" loan portfolio. Today, bank liquidity is much greater and therefore, the banks are safer. Thus, liquidity is the single most important consideration for depositors in choosing a bank for parking their money.

Liquidity is also been classified as business liquidity and day-to-day liquidity. While business liquidity refers to overall short terms funds management of a bank as given by composition of its assets and liabilities, the day-to-day liquidity is more guided by the volume of daily cash transactions. As day-to-day liquidity is subject to daily changes and guided by market conditions and local requirements, which are dynamic factors, its quantum is decided by the experience of a banker in view of the factors outlined above. Basically, rule of thumb rather than empirical evidence is the most suitable guide to determine the daily funds requirement of a bank. As such, it is not possible to measure the day-to-day liquidity position of a bank on the basis of empirical investigations and lay down guidelines and, therefore, is out of the purview of this article. Moreover, concept of day-to-day liquidity is more applicable at micro level, i.e., at bank branch level. Mainly, analysis and measurement in this article is concerned with overall business liquidity which includes short-term commitments to both depositors and creditors as well. Five RRBs have been operating since 2006 in the undivided Andhra Pradesh. All these 5 RRBs are taken into the sample. The method of sampling adopted for the present study is, therefore, census. The study is confined to an eight-year period from the financial year 2006-07 to 2013-14. The financial performance of the RRBs in Andhra Pradesh during this period is analyzed to draw meaningful and purposeful inferences. These five RRBs are covered in this article. Andhra Pradesh Grameena Vikas Bank (APGVB); Andhra Pragathi Grameena Bank (APGB); Chaitanya Godavari Grameena Bank (CGGB); Deccan Grameena Bank (DGB) and Saptagiri Grameena Bank (SGB).

2. Measuring liquidity

Banks practice two types of liquidity management- asset based and liability based. Broadly, banks prefer to follow a coordinated management of their entire balance sheet and thus, focus on both sides of balance sheet as potential instruments of liquidity management. The general view of liquidity analysis framework is a number of ratios measuring liquidity abound, only the important and critical ratios have been taken. The other major consideration in developing the framework has been that it should include only those indicators which should be simple and can be worked out from annual financial statements of the banks as these are generally the base for financial analysis by the outside parties. The details of various ratios and modalities of their adoption in Indian context are given below.

All asset-based and liability-based ratios have been divided by working fund to give a relative position. The ratio - Total stored assets / working fund combines all the assets, viz., cash and balances with RBI, balances with banks and money at call and short notice, investments and advances used for storing liquidity in bank's balance sheet, while the ratio - total purchased funds / working fund includes total deposits and all borrowings procured from outside. Both these ratios serve as the overall measures of stored and purchased liquidity respectively. In later stages, these ratios have been broken into individual variables to highlight their relative importance.

Deposits include all demand, savings bank and term deposits. Core deposits are defined as total deposits less large time deposits. These deposits are small denomination accounts from local that are considered unlikely to be withdrawn on short notice and so earn lower liquidity requirements. Demand deposits and savings bank deposits are considered as core deposits while term deposits taken as non-core deposits. Only two ratios, viz. money market assets to money market liabilities and temporary investments to volatile liabilities under the balanced approach have been considered for liquidity analysis framework.

3. Current Ratio

As there has been no universal acceptable parameter for judging liquidity of a bank, following the lines of conventional current ratio applicable to business enterprises, a ratio for banking company was developed by Sanjay Kumar (1999). Current assets represent the assets that get converted into liquid cash during the course of business within a short period of time, current liabilities arc the short-term maturing obligations on the bank. Hence the ratio is defined as

$$CurrentRatio = \frac{Cash\ and\ Balances\ with\ RBI + Balances\ with\ Banks\ and\ Money\ at\ call\ \&\ Short\ notice + Market\ value\ of\ investments}{Demand\ Deposits + Savings\ Deposits + Borrowings + Bills\ Payables}$$

It is generally accepted that current assets should be 2 times the current liabilities. In a sound business, a current ratio of 2:1 is considered an ideal one. If current ratio is lower than 2:1, the short term solvency of the firm is considered doubtful and it shows that the firm is not in a position to meet its current liabilities in times and when they are due to mature. A higher current ratio is considered to be an indication that of the firm is liquid and can meet its short term liabilities on maturity. Higher current ratio represents a cushion to short-term creditors, “the higher the current ratio, the greater the margin of safety to the creditors”.

The current ratio of RRBs is shown in Table 1. It is observed that the current ratio is less than 1 in APGVB, APGB, CGGB and SGB but more than one for DGB from 2006 -07 to 2009-10 and later decreased to less than one. It is also evident that the current ratio decreased gradually in all the banks. The consolidated current ratio varies from 0.63 times in 2013-14 to

Table 1: Current Ratio of RRBs in Andhra Pradesh (Times)

YEAR	APGVB	APGB	CGGB	DGB	SGB	CONSOLIDATED
2006 - 07	0.77	0.55	0.53	1.20	0.59	0.73
2007 - 08	0.70	0.56	0.58	1.04	0.66	0.71
2008 - 09	0.69	0.67	0.66	1.06	0.52	0.72
2009 - 10	0.64	0.72	0.64	1.11	0.61	0.74
2010 - 11	0.61	0.65	0.57	0.95	0.57	0.67
2011 - 12	0.66	0.54	0.46	0.91	0.56	0.63
2012 - 13	0.65	0.50	0.59	0.95	0.50	0.64
2013 - 14	0.64	0.54	0.64	0.91	0.43	0.63
Source: *Compiled from the Annual Reports of RRBs*						

0.73 times in 2006-07. The current ratio is less than 2 in all the RRBs under reference. Hence it shows that these banks are not in a position to meet their current liabilities as and when they are due to mature. Hence forth, it may be deduced that the RRBs in Andhra Pradesh did not maintain adequate liquidity considering the standard norm of 2:1 current ratio and therefore unable to provide sufficient safety margin to the bank creditors.

4. Advances to working fund ratio

Advances are a component of stored liquidity. The ratio of advances to working fund measures the extent of advances compared to working fund available with the bank. The advances to working fund ratio of the RRBs in Andhra Pradesh are

detailed in the Table 2. The advances to working fund ratio of the RRBs in Andhra Pradesh varied from the lowest of 0.37 times in 2006-07 in DGB to the highest of 0.79 times in SGB in 2013-14. Moreover, the ratio has shown an increasing trend in all the banks except CGGB where in the ratio registered a decline. In the consolidated position, working fund ratio varied from0.55 times in 2006- 07 to 0.68 times.

Table 2: Advances to Working Fund Ratio of RRBs in Andhra Pradesh (Times)

YEAR	APGVB	APGB	CGGB	DGB	SGB	CONSOLIDATED
2006 - 07	0.50	0.66	0.70	0.37	0.65	0.55
2007 - 08	0.55	0.67	0.71	0.52	0.66	0.61
2008 - 09	0.60	0.66	0.70	0.54	0.73	0.63
2009 - 10	0.62	0.63	0.69	0.53	0.68	0.62
2010 - 11	0.63	0.62	0.64	0.55	0.71	0.62
2011 - 12	0.65	0.68	0.70	0.58	0.72	0.66
2012 - 13	0.64	0.69	0.60	0.57	0.74	0.65
2013 - 14	0.70	0.69	0.59	0.61	0.79	0.68

Source: *Compiled from the Annual Reports of RRBs*

in 2013-14. Considering the consolidated figures, the entire sample RRBs enjoyed relatively better liquidity with the exception of DGB. It is observed that the advances to working fund ratio trends to improve over the study period signifying improving liquidity in RRBs in Andhra Pradesh.

5. Investments to Working Fund Ratio

Investments in the short-term high quality, liquid instruments are a way to shore-up profitability without giving up liquidity. Generally, banks invest in Government Paper to achieve the twin objectives of meeting the statutory requirements and maintaining liquidity. Table 3 shows the ratio of investment to working fund of the RRBs in Andhra Pradesh. The ratio of investment to working fund of the RRBs in Andhra Pradesh varied between the lowest of 0.09 times in CGGB in 2012-13 to the highest of 0.33 times in DGB in 2012-13. It is also observed that the ratio in general is low in APGVB and high in DGB. The consolidated investment to working fund ratio ranged between 0.14 times and 0.17 times during the study period. The ratio has gone up to 0.32 times in DGB whereas a converse situation is evident in CGGB. The ratio tends to show marginal improvement in the consolidated picture has however been registered

Table 3: Investments to Working Fund Ratio of RRBs in Andhra Pradesh (Times)

YEAR	APGVB	APGB	CGGB	DGB	SGB	CONSOLIDATED
2006 - 07	0.14	0.17	0.16	0.16	0.17	0.16
2007 - 08	0.14	0.15	0.16	0.18	0.15	0.15
2008 - 09	0.13	0.16	0.17	0.17	0.16	0.16
2009 - 10	0.13	0.16	0.15	0.17	0.16	0.15
2010 - 11	0.14	0.14	0.11	0.16	0.15	0.14
2011 - 12	0.14	0.13	0.12	0.30	0.14	0.17
2012 - 13	0.14	0.11	0.09	0.33	0.16	0.17
2013 - 14	0.16	0.13	0.10	0.32	0.15	0.17

Source: *Compiled from the Annual Reports of RRBs*

with instability in many of the sample RRBs in AP. In signifies that overall, the liquidity in terms of investments to working fund ratio has been falling in APGB, CGGB and SGB.

6. Deposits to Working Fund Ratio

Deposits form major part of the working funds for the RRBs. It is obvious from the Table 4 which summarizes the deposits to working fund ratio of the RRBs. The deposits to working fund ratio varied between a minimum of 48.50 per cent to the maximum of 75.90 per cent among the sample RRBs over the period of investigation. The consolidated ratio for all the five banks.

Table 4: Deposits to Working Fund Ratio of RRBs in Andhra Pradesh (Percentage)

YEAR	APGVB	APGB	CGGB	DGB	SGB	CONSOLIDATED
2006 - 07	65.50	66.40	62.30	63.00	63.70	65.03
2007 - 08	61.00	64.00	64.60	75.90	62.40	64.56
2008 - 09	62.00	66.00	66.50	75.30	65.10	65.91
2009 - 10	62.10	63.00	67.20	74.20	62.50	64.80
2010 - 11	62.70	59.70	58.50	73.50	63.10	63.32
2011 - 12	61.50	56.90	58.60	73.30	59.90	61.53
2012 - 13	57.60	51.50	48.50	71.80	58.90	57.32
2013 - 14	63.90	56.70	50.40	73.20	61.80	61.78

Source : *Compiled from the Annual Reports of RRBs.*

has ranged between 57.32 per cent and 65.91 per cent during the same period. Almost all the banks have touched the consolidated ratio in this respect. But with the exception of DGB, all other sample RRBs reported marginal decline in the deposits to working fund ratio reflecting declining liquidity.

7. Borrowings to Working Fund Ratio

Borrowings are the next source of liquidity immediately after deposits. Whenever the bank experience liquidity crunch they borrow in inter-bank market for short periods of time or raise debt from the capital markets/sponsoring banks for longer-term requirements. With the efficient money markets around, it has become the most preferred route to resolves short-term liquidity crunch. Table 5 details the borrowings to working fund ratios of five RRBs along with consolidated ratio. The CGGB, SGB and APGB registered higher ratio of borrowings to working.

Table 5: Borrowings to Working Fund Ratio of RRBs in Andhra Pradesh (Percentage)

YEAR	APGVB	APGB	CGGB	DGB	SGB	CONSOLIDATED
2006 - 07	20.20	16.70	24.70	8.60	24.00	17.56
2007 - 08	26.70	17.20	21.30	11.70	26.10	20.96
2008 - 09	25.50	17.20	19.40	13.60	24.50	20.57
2009 - 10	26.10	21.20	20.90	14.00	28.20	22.42
2010 - 11	25.60	25.50	30.90	16.70	28.10	24.71
2011 - 12	25.90	28.70	31.90	17.80	30.90	26.53
2012 - 13	29.60	34.90	44.50	18.50	32.00	31.00
2013 - 14	21.50	28.80	42.60	17.00	27.00	25.55

Source : *Compiled from the Annual Reports of RRBs*

Fund as against the consolidated figures. It is thus clearly evident that these banks had better liquidity than the other two SGB and APGVB. Individually, RRBs had considerable differences among them in the level of borrowings. Chart 5.3 depicts the trends in the ratio for five RRBs.

8. Core deposits to Working Fund Ratio

Core deposits represent savings and demand deposits that are small in size and require minimal liquidity. The share of these deposits in working fund will have a bearing on the requirement of liquidity for the bank. The higher the proportion of such deposits lower is the need to maintain liquidity. Table 6 gives the ratio of core deposits to working funds for the sample RRBs for the period 2007-2014. It is clear from the contents of the table that the ratio for all the banks shows a declining trend. Moreover, the ratio is high in APGVB, APGB and DGB while it is rather low in other banks. The consolidated ratio shows that share of core deposits in .

Table 6: Core Deposits to Working Fund Ratio of RRBs in Andhra Pradesh(Percentage)

YEAR	APGVB	APGB	CGGB	DGB	SGB	CONSOLIDATED
2006 - 07	38.00	33.40	23.80	25.40	25.20	32.49
2007 - 08	33.10	30.00	21.80	29.70	20.40	29.74
2008 - 09	29.20	26.80	22.00	25.80	21.50	26.74
2009 - 10	27.70	26.50	22.70	24.00	18.10	25.36
2010 - 11	31.30	28.10	24.40	26.40	20.20	27.83

2011 - 12	23.40	25.30	25.60	23.30	16.70	23.32
2012 - 13	22.30	23.60	18.10	23.10	16.60	21.85
2013 - 14	23.10	23.80	17.00	22.10	16.30	21.80

Source : *Compiled from the Annual Reports of RRBs*

the working funds has been decreasing year on year. It ranges between 32.49 per cent in 2007 and 21.80 per cent by the end of 2014 and also shows a continuously declining trend, implying the liquidity in terms of core deposits to working fund ratio has gone down over the years.

9. Non-core Deposits to Working Fund Ratio

Table 7: Non-Core Deposits to Working Fund Ratio of RRBs in Andhra Pradesh (Percentage)

YEAR	APGVB	APGB	CGGB	DGB	SGB	CONSOLIDATED
2006 - 07	27.50	33.00	38.40	37.60	38.50	32.54
2007 - 08	28.00	34.00	42.70	46.30	42.10	34.81
2008 - 09	32.70	39.20	44.60	49.50	43.60	39.17
2009 - 10	34.40	36.50	44.50	50.10	44.30	39.44
2010 - 11	31.40	31.60	34.20	47.00	42.90	35.49
2011 - 12	38.00	31.60	33.00	49.90	43.30	38.20
2012 - 13	35.20	27.90	30.40	48.70	42.30	35.47
2013 - 14	40.90	32.90	33.40	50.90	45.50	39.98

Source : *Compiled from the Annual Reports of RRBs*

Large long-term deposits are classified as non-core deposits and their proportion to working fund is calculated as non-core deposits ratio. The non-core deposits to working fund ratio of RRBs are presented in the Table 7. In the consolidated position of RRBs the ratio varied from 32.54 per cent to 39.98 per cent over the period of reference. With the exception of CGGB, other sample RRBs followed the consolidated trend indicating the increasing share of non-core deposits to working fund during the period of reference. Henceforth the liquidity RRBs is marked with improvement.

10. Total Stored Assets to Working Fund Ratio

This ratio represents the level of liquid assets expressed as a proportion of working fund. The higher the ratio, the higher is the stored liquidity and hence, lower is the profitability. Table 8 details the total stored liquidity, which includes cash, cash equivalents, investments and advances as a percentage of working fund. In the consolidated position of RRBs the stored liquidity stood at 82.96 per cent in 2006-07 which rose to 88.49 per cent in 2013-14. The stored liquidity in the

Table 8: Total Stored Assets to Working Fund Ratio of RRBs in Andhra Pradesh (Percentage)

YEAR	APGVB	APGB	CGGB	DGB	SGB	Consolidated
2006 - 07	85.70	83.00	86.90	71.60	87.60	82.96
2007 - 08	87.70	81.20	85.70	87.20	88.30	86.02
2008 - 09	87.40	83.10	85.90	88.60	88.90	86.80
2009 - 10	88.20	84.20	88.00	88.10	90.50	87.5
2010 - 11	88.20	85.30	88.40	90.10	90.80	88.57
2011 - 12	87.30	85.20	89.90	91.00	90.60	88.8
2012 - 13	87.20	86.40	93.00	90.30	91.00	89.58
2013 - 14	85.50	85.50	92.80	89.90	88.70	88.49

Source : *Compiled from the Annual Reports of RRBs*

Individual RRBs ranged from 71.60 per cent to 93.0 per cent. In all the sample RRBs, the stored liquidity either almost touched the consolidated percentage or otherwise marginally exceeded. This implies that the stored liquidity of the RRBs in AP is at a reasonable level with stability and marginal improvement.

11. Total Purchased Liabilities to Working Fund Ratio

Deposits and Borrowings together form the purchased liabilities of a bank. These funds acquired to meet the liquidity needs have a cost attached to them. The bank is losing interest on both these sources of funds and hence the higher the purchased liquidity the higher is the pressure on profitability. The purchased liabilities to working fund ratio of the select RRBs in

Andhra Pradesh is shown in the Table 9. Over the years, the ratio of purchased liabilities to working fund ratio has varied between the lowest of 71.60 per cent in DGB and the highest of 93.0 per cent in CGGB. The ratio tended to progress marginally during the period of reference. Over the years, the ratio of purchased liabilities to working fund ratio has varied between the lowest of 71.60 per cent in DGB and the highest of 93.0 per cent in CGGB. The ratio tended to

Table 9: Total Purchased Liabilities to Working Fund Ratio of RRBs in Andhra Pradesh (Percentage)

YEAR	APGVB	APGB	CGGB	DGB	SGB	CONSOLIDATED
2006 - 07	85.70	83.10	87.00	71.60	87.70	83.00
2007 - 08	87.80	81.20	85.80	87.60	88.50	85.50
2008 - 09	87.40	83.20	86.00	88.90	89.50	86.50
2009 - 10	88.30	84.20	88.10	88.10	90.60	87.20
2010 - 11	88.30	85.30	89.50	90.20	91.20	88.00
2011 - 12	87.40	85.70	90.50	91.00	90.80	88.00
2012 - 13	87.20	86.40	93.00	90.40	90.90	88.30
2013 - 14	85.50	85.50	92.90	90.00	88.80	87.30

Source : *Compiled from the Annual Reports of RRBs*

progress marginally during the period of reference. The purchased liquidity has always been at a higher level in the RRBs of Andhra Pradesh. It implies that these banks have to incur higher incidence of opportunity costs in terms of interest payment and also the profit foregone on these purchased liabilities. Henceforth, the profit margins of RRBs might be adversely affected.

12. Money Market Assets to Money Market Liabilities Ratio

Money Market growth has provided a powerful tool for liquidity management for the banks. Availability of money at call for a very short period of time has reduced the requirement of holding cash by the banks. Banks can borrow whenever required to overcome the liquidity crunch and also lend to other banks when they have excess liquidity. The ratio of money market assets to money market liabilities of a bank captures the bank's asset-liability composition for the very short-term which indicates the management's ability in liquidity management.

The ratio has been calculated for the RRBs as given below,

Money Market Assets To Money Market Liabilities Ratio	=	*(Cash and Balances with RBI + Bank Balances and Money at Call and Short Notice + Investment in Govt. Securities) /Borrowings + Bills Payable)*

The money market assets to money market liabilities ratio of the selected RRBs in Andhra Pradesh is shown in the Table 10. It is observed that the money market assets to money market liabilities ratio of the RRBs in Andhra Pradesh varied from the lowest of 0.23 times to the highest of 2.85 times during the period of study. Moreover, the ratio is high in DGB and APGVB and low in APGB, CGGB and SGB. The consolidated money market assets to money market

Table 10: Money Market Assets to Money Market Liabilities Ratio of RRBs in Andhra Pradesh(Times)

YEAR	APGVB	APGB	CGGB	DGB	SGB	CONSOLIDATED
2006 - 07	1.48	0.64	0.39	2.85	0.50	1.14
2007 - 08	1.01	0.62	0.41	2.15	0.59	0.90
2008 - 09	0.95	0.77	0.51	1.86	0.31	0.90
2009 - 10	0.81	0.86	0.61	1.83	0.42	0.87
2010 - 11	0.82	0.83	0.66	1.48	0.43	0.83
2011 - 12	0.72	0.56	0.46	0.44	0.42	0.57
2012 - 13	0.67	0.50	0.61	0.33	0.26	0.52
2013 - 14	0.55	0.55	0.66	0.23	0.15	0.48

Source : *Compiled from the Annual Reports of RRBs*

liabilities ratio of the selected RRBs in Andhra Pradesh too reported a overall decline from 1.14 times to 0.48 times. The instance of resorting to money market liabilities in RRBs has gone down in all the RRBs in Andhra Pradesh. In other words these banks have been holding higher cash balances initially but thereafter declined steeply indicating falling liquidity.

13. Temporary Investment to Violate Liabilities Ratio

Non-core deposits are volatile in nature as they can be withdrawn at any time. Hence, banks should carry sufficient liquidity to meet these obligations. Short-term liquid assets like call money, balances with other banks and highly liquid Government securities create the sources of liquidity to meet the withdrawals of demand deposits. To measure the liquidity from the point of volatile liabilities, a ratio is computed as

$$\text{Temporary Investments to Volatile Liabilities} = \frac{\text{Bank Balances and Money at Call and Short Notice} + \text{Investment in Government Securities}}{\text{Non-Core Deposits}}$$

The temporary investment to violate liabilities ratio of selected RRBs in Andhra Pradesh is presented in Table 11. The ratio of temporary investment to violate liabilities ratio has declined steadily from 0.49 times to 0.23 times in the consolidated

Table 11: Temporary Investment to Violate Liabilities Ratio of RRBs in Andhra Pradesh(Times)

YEAR	APGVB	APGB	CGGB	DGB	SGB	CONSOLIDATED
2006 - 07	0.92	0.21	0.10	0.53	0.21	0.49
2007 - 08	0.80	0.21	0.07	0.41	0.25	0.42
2008 - 09	0.64	0.26	0.12	0.41	0.09	0.38
2009 - 10	0.49	0.40	0.16	0.41	0.18	0.39
2010 - 11	0.52	0.55	0.48	0.41	0.07	0.44
2011 - 12	0.40	0.42	0.34	0.07	0.05	0.28
2012 - 13	0.48	0.54	0.82	0.04	0.12	0.37
2013 - 14	0.21	0.40	0.76	0.01	0.03	0.23

Source : *Compiled from the Annual Reports of RRBs*

position. It implies that the violate liabilities tended to decline as a percentage of temporary assets of RRBs in AP. A similar trend is observed in the individual sample RRBs with the exception of APGB in which the violate liabilities tended to rise over the years. By and large, the RRBs in AP have maintained increasing and higher liquidity in terms of temporary investment to violate liabilities.

14. Summary

The liquidity performance of the RRBs in Andhra Pradesh has been elicited. The RRBs did not maintain adequate liquidity. The advances to working fund ratio improved. Instability in investment to working fund ratio has been observed in majority of the banks, but at the same time declining liquidity is observed. The core - deposits to working fund ratio has gone down in the study period. The liquidity of the RRBs marked with improvement. In the entire sample RRBs in Andhra Pradesh the stored liquidity touched the consolidated percentage. All the banks incur low growth and hence the profit margins of RRBs had adversely affected. The banks have holding higher cash balances and thus indicate falling liquidity. By and large the RRBs in AP have maintained in increasing and higher liquidity in terms of temporary investment to violate liabilities. Overall, the liquidity performance of RRBs in Andhra Pradesh is not satisfactory.

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