A Study on Performance of Indian Commercial Banks

JANDHYALA V.S.R KRISHNA PRASAD* & Dr. MANJEET KAUR KAUSHAL **

* Research Scholar, Himalayan University, Arunachal Pradesh.

** Professor, Deptartment of Business & Management,
Himalayan University, Arunachal Pradesh.

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ABSTRACT *The Indian financial system comprises of various sorts of financial institutions which are in charge of the improvement of the country'seconomy. Commercial banks are the real financial institutions and are the most dynamic segment of the Indian money market. Commercial banks assume a vital part in the assembly and distribution of assets in an economy. The performance of the commercial banksin bigger imminent influences the development of the economy. The present paper endeavors to contemplate the working and performance of the Indian commercial banks. In this respects the markers chose to contemplate are Aggregate Deposits activated by Scheduled Commercial Banks, credits and speculations made by the calendar commercial banks, CreditDeposits Ratios, Investment Deposits Ratios, and the Share of Scheduled Commercial Banks in the Priority Sector Lending. This investigation covers the working performance of whole commercial banks which are working in the nation for a time of tenyears. The paper concludes the timetable commercial banks of Indian have been essentially performing acceptable and adding to the national growth of the country.*

Keywords: *Schedule Commercial banks, are Aggregate Deposits, Credit-Deposits Ratios, Investment-Deposits Ratios, Priority sector lending, etc.*

INTRODUCTION: The Indian financial system includes a huge system of different banks. The banking sector is the center fragment in choosing the advance of the entire economy of the country. Activities of a modern economy are altogether impacted by the capacities and administrations of banks and turned into a crucial part ofsocio-economic life of the general population. The banking sectors turn into a vital fragment of Indian economy for money market elements. Financial sector controlled and oversaw by banking industry fills in as a hotspot for producing money supply. The commercial banksassume an overwhelming part in the economic development of the country. It is outstanding that the quick development in the different parts of the economy can be brought through productive, viable, restrained banking system (RBIreport (2010)). The banking sector in India has assumed a vital part in the Indian economy.Financial establishments in India can comprehensively be grouped into banking andnonbanking institutions. Banking institutions are of three types: Commercial Banks, Industrial orInvestment Banks and RuralBanks. Most dynamic division of the Indian money market is the commercial banking sector.The commercial banking structure in India comprises ofScheduled Commercial Banks and NonScheduled Commercial Banks. ScheduledCommercialBanks constitute those banks which have been incorporated into the second timetable of the ReserveBank ofIndia (RBI) Act, 1934. This examination proposed to investigate the working and activity of commercialbanks. The pointers chose to think about are Aggregate Deposits prepared by ScheduledCommercial Banks,credits and speculations made by the schedulecommercial banks,Credit-DepositsRatios, Investment Deposits Ratios, and the Share of ScheduledCommercial Banksin the Priority Sector Lending. This investigation covers the workingperformance of whole commercialbanks which are working in thecountry.

REVIEW OF LITERATURE:

Dang-Thanh (2012) in his examination connected an adjusted Data Envelopment Analysis to break down the execution changes through time of the Vietnamese managing an account framework in the 1990-2010 periods. In light of the writing, it is obvious thatBanks in every one of the segments increment their execution, in accordance with that, this examination will endeavor to assess thosebanks relating to their working development and execution.

Sangmi and Nair (2010) in their examination think about, investigated through the CAMEL Parameters, which investigates Capital sufficiency, Asset quality, Management ability, Earnings limit and Liquidity found that both the Punjab NationalBank and Jammu and KashmirBank have embraced reasonable approaches of budgetary administration and bothbanks have demonstrated huge execution to the extent resource quality is concerned.

Uppal (2009) investigated change in execution parameters and markers of various classifications of Indian commercialbanks. They examined the components impacting thebanks relative offer amid 2003-2008. They

reasoned that period the publicsector banksare having a critical offer as for the aggregate resources in all commercialbanks.

Usumet,al (2008) have examined the proficiency of nationalizedbanks, SBI and Foreign banks.According to their list outside banks were performing more proficiently than nationalizedbanks.

Sharadkumar and Sreeramulu (2007) have contrasted theForeign and newsector bankswith regard with their execution amid theperiod 1997-2008.

Shanmugam and Das (2004) examined the execution of Indian scheduled commercial bankswith diverse classes amid the period 1992-1999. They likewise settled that the state bankgroup and outside banks are performing successfully than the other banks.

Raut, Kishore and Das Santosh (1996) endeavored to look at and measure the gainfulness pattern of the Indian commercial banks. Tarapore (1999) explored the strategy of Reserve Bank of India and its conceivable impact on banking sector changes.

Minakshi and Kaur (1990) in their examination reasoned that the bank rate and save necessities proportions have assumed a critical part in negatively affecting the gainfulness of the banks in India.

Public & Private Commercial Banks: Management always takes care of the viable ness, effectiveness and execution of banks and it demonstrates the accomplishment of the vital target, objectives of the organizations. In the comparative way execution of any economy relies on the productivity of its financial system. The exhibitions of financial system of a nation decide its monetary development pointers. Indian financial system depends on the Indian banking industry and its capital market. The Indian commercial banks are customarily assuming most imperative part as financial intermediaries. The banks comprise more than three-fifth of financial system resources and rule the entire banking sector in India and assumed a focal part in preparing investment funds in growth process. Anil K. Sharma et al., (2012) found that banks having low stores and high aggregate resources clear to be on proficiency of commercial banks. Banks broadening into different exercises into different exercises seems to have a negative effect and high likelihood of wastefulness in banks.Banks are winning benefits through conventional exercises as it were. Enormous banks profit share is gotten by these huge players in industry and in this way higher likelihood of these banks being on proficiency wilderness. Vinod R.R (2013) they endeavored to discover current activity awesome ness of the tasks, the bank has produced a store higher (6.33%) than the required level, and non-premium wage bank should have the capacity to create income of 115.36 from the current level of 85.24 (55% more).

Financial Performance of Commercial Banks: Dissolvability and liquidity are extremely huge for banks since its benefits and loans have various developments. Banks have the principal role of changing over fluid store (liabilities) to illiquid resources such as loans, which makes them naturally powerless against liquidity chance. Absence of liquidity is a pointer of the liquidity emergency in a banking system and in this manner liquidity administration is a basic target for the commercial banks since illiquidity may bring about indebtedness and denied financial performance. Liquidity illustrates the bank's capability to deal with its brief term risk. As it were, the liquidity administration demonstrates how productively a bank manages its brief span prerequisite and contributes the assets to raise the gainfulness of the organization. In this way, the ideal level of liquidity ensures a bank to meet their transient obligations and the best possible administration of stream can be guaranteed by a gainful business. In addition, the illiquidity will prompt indebtedness and liquidation as the liabilities outperform its advantages. It is incomprehensible for banks to persevere without making profits and there exists positive relationship amongst liquidity and productivity, which infers that lower liquidity position may bring about lower gainfulness because of more noteworthy prerequisite for advances, and low profitability would not create adequate money streams, along these lines making a thick cycle. Additionally, the liquidity is contrarily connected with profitability of the banks as a result of holding fluid resources have a tendency to gather pay because of the lower rates of return associated with fluid resources. Dissolvability speaks to the relationship between acquired assets and proprietor's assets in the capital structure of a bank. It contains obligation and basic value for financing the bank's aggregate resources, tasks and financial growth. The Capital ampleness standards check the banks in their freedom of capital structure. The implementation of capital sufficiency proportion may have negative effect on the productivity of thebanks. It has been expressed that office costs amongst chiefs and investors tend to increment when capital proportions are higher because of the train gave by obligation reimbursement on administrators' conduct. In any case, the expanded surplus incited as consequence of sound bank-borrower relationship and improved observing set around the capital sufficiency standards

would have positive effect on the banks 'profitability. Also, the capital ampleness standards focus at strength of the banks and in this manner diminishes the peril of the advantages in the arrangement of the banks. Management of liquidity and dissolvability proportions are indispensable for the commercial banks as it related with their exhibitions and notorieties, particularly with productivity proportions. In the event that the banks have poor liquidity conditions, the controllers will punish them and along these lines it winds up basic for the banks to keep a sound liquidity course of action. Sound financial performance has turned into an awesome test in the cutting edge times as banks are described by the innovative headways, high rivalry for buyer stores and modifying monetary policy that increases the liquidity, dissolvability and the productivity of the banks. The present examination endeavors to assess the financial performance of chose Indian commercial banks utilizing the financial ratios, and furthermore analyzes the effect of liquidity, dissolvability and productivity on the gainfulness of the chose Indian commercial banks by utilizing the board information estimations, viz. the Fixed Effect and Random Effect models. The investigation will toss light on financial performance of the commercial banks which will help arrangement creators, controller (Reserve Bank of India), Governments and different partners to devise focused on approaches and directions that will progressively invigorate the growth and maintainability of the commercial banks in the country. The examination is of awesome significance for scholastics to analyze the exhibitions of different commercial banks and endeavors ought to be made to explain the disparities in performances of those banks. Besides, the investigation is monstrous help for the management and staff of commercial banks who will pick up understanding into how their foundations can adequately deal with their financial ratios by proper practices to increment their profits.

RESEARCH METHODOLOGY: The present study makes the utilization of secondary data. The important secondary data has been gathered chiefly through the databases of Reserve Bank of India (RBI), different reports and different investigations. The investigation endeavors to inspect the operational execution of the commercial banks in India for a time of ten years. The examination is bound just to the particular regions, for example, Aggregate Deposits activated by Scheduled Commercial Banks, credits and speculations made by the timetable commercial banks, Credit Deposits Ratios,Investment-DepositsRatios, for the ten years' time frame beginning from theyear 2004 to theyear 2013 and the Share of ScheduledCommercial Banksin the Priority Sector Lending. To examine thedata and draw conclusions in this investigation, different statistical tools like Descriptive Statistics, F-Test Two-Sample for Variances has been finished utilizing through SPSSSoftware.

ANALYSIS AND INTERPRETATION OF DATA:

Aggregate Deposits of Scheduled Commercial Banks: The deposits of the Scheduled Commercial Banks are the main source of credit mobilization of the banks. It is highly required by the banks to maintain the adequate level of deposits in the bank. The aggregate deposits comprises of the demand deposits and time deposits.

Table No-1: Aggregate Deposits of Scheduled Commercial Banks in India

Year	Aggregate deposits	Growth rate	Demand deposits	Growth rate	Time deposits	Growth rate
2004	15044.16	-	2250.22	-	12793.94	-
2005	17001.98	113.01	2480.28	110.22	14521.71	113.50
2006	21090.49	140.19	3646.4	162.05	17444.09	136.35
2007	26119.34	173.62	4297.31	190.97	21822.03	170.57
2008	31969.4	212.50	5243.1	233.00	26726.3	208.90
2009	38341.1	254.86	5230.85	232.46	33110.25	258.80
2010	44928.26	298.64	6456.1	286.91	38472.16	300.71
2011	52079.69	346.18	6417.05	285.17	45662.64	356.91
2012	59090.82	392.78	6253.3	277.90	52837.52	412.99
2013	67504.54	448.71	6622.99	294.33	60881.55	475.86

Table No-1 reveals the aggregate deposits of the schedule commercial banks with their growth rate, which has significantly increase over the period of time. The aggregate deposit has increased from 113.01% to 448.71% through 2005 to 2013. Similarly in the case of Demand deposit the growth rate in the year 2005

was 110.22% which has increased to 294.33% in the year 2013. For timedeposits also it has significantly increased from 113.50% in the year 2005 to 475.86% in the year 2013.

Credits Deployed and Investment made by Scheduled Commercial Banks: One of the critical elements of the business banks is credit creation. The ventures made by the commercial banks are the window of sending of assets. The credit manifestations of the planned commercial banks are done from its stores. Speculations of ScheduledCommercial Banks in India incorporate only investments in government securities and other endorsed securities.Table No-2 uncovers the credit sent and venture made by the booked commercial banks over the timeframe and their growth rate.

Table No-2: Credits Deployed and Investment made by Scheduled Commercial Banks (Rs.)

Year	Credit Deployed	Growth rate	Investments Made	Growth rate
2004	8407.85	-	6775.88	-
2005	11004.28	130.88	7391.54	109.09
2006	15070.77	179.25	7174.54	105.88
2007	19311.90	229.69	7915.16	116.81
2008	23619.13	280.92	9717.14	143.41
2009	27755.49	330.11	11664.10	172.14
2010	32447.88	385.92	13847.53	204.37
2011	39420.83	468.86	15016.19	221.61
2012	46118.52	548.52	17377.87	256.47
2013	52604.59	625.66	20061.05	296.07

From the above table no-2, it was found that the credit deployed by the scheduled commercial banks has increased from 130.88% in the year 2005 to 625.66% in the year 2013, which is 4.78 times. In case of Investment made it has significantly increased to 296.07% in the year 2013 compared to 2005.

Credit-Deposit Ratio and Investment Deposit Ratio: The Credit Deposit Ratio of the bank indicates the creation of credit out of the deposits .Investment-Deposit Ratio is calculated by investments made by banks, divided by the aggregate deposits of the banks.

Table No-3: Credit-Deposit Ratio and Investment Deposit Ratio

Year	Credit-Deposit Ratio (per cent)	Investment-Deposit Ratio (per cent)
2004	55.9	45
2005	62.6	47.3
2006	70.1	40.0
2007	73.5	35.3
2008	74.6	35.5
2009	73.8	35.7
2010	73.7	36.4
2011	76.5	34.3
2012	78.6	34.6
2013	79.1	35.2

Table no-3 reveals the credit-deposit ratio in the year 2004 was 55.9%, which has an increasing trend over the period and in the year 2013, it was 79.1%. In case of investment-deposit ratio, the year 2005 recorded the highest i.e. 47.3%, then it declined to 34.6% in the year 2012, whereas in the year 2013, it increased to 35.2%.

Share of Scheduled Commercial Banks in the Priority Sector Lending: The priority sector includes the agriculture and rural sector of the country. The Reserve Bank of India prescribed guidelines and targets to all the banks operating in India with regard to priority sector services. The table no-4 below reflects the advance to priority sectors in the total advances of schedule commercial banks.

Table No-4: Share of Scheduled Commercial Banks in the Priority Sector Lending (Rs. billion)

Year	Scheduled Commercial Banks' Advances to Priority Sectors	Share of Priority Sector Advances in Total Advances of Scheduled Commercial Banks (per cent)
2004	2766.21	32
2005	3706.03	32.2
2006	5127.90	33.8
2007	6553.17	33.1
2008	7814.76	31.6
2009	9089.29	30.3
2010	10915.10	31.2
2011	13158.59	30.6
2012	14710.50	29.5
2013	16411.00	28.8

From the above table no-4, it has been found that the Advances to Priority Sectors have an increasing trend over the period. It was Rs. 2766.21 billion in the year 2004 and it became Rs.16411.00 billion in the year 2013. The share of Priority Sector Advances in Total Advances of Scheduled Commercial Banks was reportedly higher in the year 2008 and 2010 with 31.6% and 31.2 % respectively, whereas it reduced thereafter to 28.8% in the year 2013.

CONCLUSION: The present study mirrors that the significant growth in the aggregate deposits, demand deposits and the time deposits of the schedule commercial banks.Moreover there is no critical distinction in the execution of interest and time stores of the scheduledcommercialbanks. It was discovered that the credit sent by the scheduled commercial banks has expanded from 130.88% in theyear 2005 to 625.66% in theyear 2013, which is 4.78 times contrasted with the speculation made by the planned commercial banks which was 296.07% in the year 2013 contrasted with 109.09% in the year 2005. The credit-store proportion had an expanding pattern through the years. Moreover there is no noteworthy contrast in credit-store proportion and speculation store proportion of the scheduled commercial banks.The Advances to Priority Sectors additionally had an expanding pattern over the period. The offer of Priority Sector Advances in Total Advances ofScheduled CommercialBanks was most astounding in theyear 2008 and 2010. The general working and operational execution of the scheduledcommercial banksof India was agreeable over the period and it is becoming adding to the nationalgrowth.

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