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# Review Of Research



## A TEXT PICTURE ON AN OPERATIONS AND PERFORMANE OF INDIAN COMMERCIAL BANKS



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### ABSTRACT:

Indian banking operation and performance while taking against the backdrop of a slowdown in the domestic economy and tepid global recovery. This study explores the growth of the Indian banking sector slowed down for the second consecutive year in 2012-13. There was also a decline in the growth of profits of scheduled commercial banks (SCBs) as credit off-take slowed down and interest rates softened. The asset quality also deteriorated, more perceptibly for public sector banks. On the positive side, capital positions of Indian banks, including public sector banks, remained strong and above the stipulated minimum to face any unforeseen losses. There was also a significant expansion in the outreach of banking in unbanked rural centres, as financial inclusion plans completed three years. In the short-term, the Indian banking sector needs to lend support to productive sectors facilitating economic recovery, while remaining vigilant about asset quality. In the medium to long-term, sustained improvements in efficiency and inclusiveness remain key areas of concern.

**KEYWORDS:** Performance, Recovery, Growth, Softened, Asset, Profit and so on.

### INTRODUCTION

The Indian financial landscape is dominated by the banking sector with banking flows accounting for over half of the total financial flows in the economy. Banks play a major role in not just purveying credit to the productive sectors of the economy but also as facilitators of financial inclusion. Although the Indian banking sector exhibited considerable resilience in the immediate aftermath of the global financial crisis, it has been impacted by the global and domestic economic slowdown over the last two years. The year 2011-12, against the backdrop of a muted domestic growth, witnessed a slowdown in the overall growth of the banking sector coupled with deterioration in asset quality and lower profitability. The performance of the banking sector in 2012-13 too was conditioned by a further slowdown of the domestic economy, Against this backdrop, this chapter discusses developments in the Indian banking sector in 2012-13 in a comparative perspective with the earlier year/s to bring out trends in balance sheets, profitability, and financial soundness of the sector taking data on 89 scheduled commercial banks. The chapter also spells out key issues relating to other aspects of operations of SCBs, viz., sectoral distribution of credit, financial inclusion, customer services, technological developments, and their overseas operations apart from separately analysing the trends in two segments closely related to the SCB sector.

Bank Group-wise Gross and Net Non-Performing Assets (NPAs) of Scheduled Commercial Banks in India (1996-1997 to 2010-2011)								
(Amount : in Rs. Billion)								
Year (End- March)	Advances		Non-Performing Assets					
	Gross	Net	Gross			Net		
Amount			As % of Gross Advances	As % of Total Assets	Amount	As % of net Advances	As % of Total Assets	
Scheduled Commercial Banks								
1996-97*	301698	276421	47300	15.7	7.0	22340	8.1	3.3
1997-98*	352696	325522	50815	14.4	6.4	23761	7.3	3.0
1998-99*	399436	367012	58722	14.7	6.2	28020	7.6	2.9
1999-00	4751.13	4442.92	604.08	12.7	5.5	300.73	6.8	2.7
2000-01	5587.66	5263.28	637.41	11.4	4.9	324.61	6.2	2.5
2001-02	6809.58	6458.59	708.61	10.4	4.6	355.54	5.5	2.3
2002-03	7780.43	7404.73	687.17	8.8	4.1	296.92	4.0	1.8
2003-04	9020.26	8626.43	648.12	7.2	3.3	243.96	2.8	1.2
2004-05	11526.82	11156.63	593.73	5.2	2.5	217.54	2.0	0.9
2005-06	15513.78	15168.11	510.97	3.3	1.8	185.43	1.2	0.7
2006-07	20125.10	19812.37	504.86	2.5	1.5	201.01	1.0	0.6
2007-08	25078.85	24769.36	563.09	2.3	1.3	247.30	1.0	0.6
2008-09	30382.54	29999.24	683.28	2.3	1.3	315.64	1.1	0.6
2009-10	35449.65	34970.92	846.98	2.4	1.4	387.23	1.1	0.6
2010-11	40120.79	42987.04	979.22	2.4	1.4	418.13	1	0.6

Above the table explores the bank group-wise gross and net non-performing assets of scheduled commercial banks as we know the in 1996-97 NPAs 15.7 gross advances breaking of 7.0 of total assets. Net advances 8.1 as well as total assets 3.3. Through running with the study matter NPAs goes down as declining mode while competing 2000-01 to 2010-11 gross advances 2.4 and gross total assets 1.4 it seems net advances 1.0 and total assets 0.6 it will discuss through the Lorenz curve.

### BALANCE SHEET OPERATIONS OF SCHEDULED COMMERCIAL BANKS

In a tracking trend during 2011-2012 the overall growth in balance sheet of banks moderated farther in 2012-2013. The major source of this moderation was bank credit. The moderation in credit growth was partly reflective of the slowdown in real economic activity coupled with increasing risk aversion by banks. The slowdown in credit growth in March 2013 over March 2012 could be seen across all bank groups except the SBI group.

### Growth in Balance Sheet of Scheduled Commercial Banks (As at end-March) (Percent to total under each item)

Liabilities/Assets	PSBs		Private SBs		Old Private SBs		New Private SBs		Foreign Banks		All SCBs	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Years---->	2	3	4	5	6	7	8	9	10	11	12	13
<b>I Deposits</b>												
a) Up to 1 year	46.6	33.9	48.7	46	48.1	48.5	48.9	45.1	61.9	62	50	35.6
b) 1 to 3years	25.3	31.3	30	27.4	39.2	37.5	26.6	23.7	29.8	28.9	26.3	30.1
c) 3 to 5 years	8.5	15.9	5.7	9.1	6.9	7.4	5.2	9.7	8.3	9	8	15.1
d) over 5 years	16.6	18.9	15.7	17.5	5.8	6.6	19.3	21.5	0.1	0.1	15.7	18.4
<b>II Borrowings</b>												
a) Up to 1 year	45.4	55.6	50.3	45.9	63.7	66.2	49.2	44	84.5	89.5	52.6	57
b) 1 to 3years	12.2	11.8	11.8	14.4	13.4	14.5	11.7	14.4	9.2	6	11.7	11.8
c) 3 to 5 years	15.2	9.8	12.5	14	7.8	6.6	12.9	14.5	2.7	2.7	12.5	9.9
d) over 5 years	27.2	22.9	25.4	25.7	15.1	10.6	26.2	27	3.5	1.8	23.2	21.3
<b>III Loans and Advances</b>												
a) Up to 1 year	34.3	23.8	35.2	35	44	45.8	32.4	31.7	67.2	65.1	35.9	25.8
b) 1 to 3years	37.4	49.8	37.1	36.8	36.1	34.2	37.4	37.7	15.5	17.7	36.3	46.8
c) 3 to 5 years	11	8.2	11.3	11.7	9.1	9.6	12	12.3	4.8	6.3	10.8	8.5
d) over 5 years	17.3	18.1	16.4	16.5	10.8	10.4	18.2	18.4	12.5	10.8	17	17.8
<b>IV Investments</b>												
a) Up to 1 year	20.1	16.6	42.6	41.8	30.3	38.5	45.9	42.7	76.7	77.9	30.4	23.1
b) 1 to 3years	12.6	17.2	17.3	18.2	12.2	16.3	18.6	18.8	12.9	11	13.7	17.1
c) 3 to 5 years	14.2	20.9	9.1	9.9	13	1.1	8.1	9.5	5.2	3.5	12.2	18.5
d) over 5 years	53.1	43.2	31	30.1	44.4	34.1	27.4	29	5.2	7.5	43.6	41.3

Source: Balance Sheets of Representative Banks.

An above table interpose an aggregated analysis of the maturity profile of liabilities and assets of SCBs suggested a positive gap (liabilities-assets) in the shortest maturity bucket of up to 1 year. It was the widest when compared with other maturity buckets. This indicated greater reliance on short-term liabilities, outpacing the corresponding creation of shortterm assets. The gap was generally found to be negative for the remaining three maturity buckets, viz., 1 to 3 years, 3 to 5 years and more than 5 years. This suggested greater creation of medium/ long-term assets, which outpaced the proportion of medium/long-term liabilities.

### Financial Development Selected Indicators

Item	1960	1970	1980	1990	2000
Private credit/Total credit (%)	43	58.4	59	56.6	64.5
Private credit/GDP (%)	9.5	18.8	28.7	28.6	43
Total credit/GDP (%)	22.2	32	48.8	50.6	66.2
M3/GDP (%)	21.2	28.4	40.8	49.9	73.5
M3 Velocity (items)	5	3.9	2.7	2.2	1.5
M1 Velocity (items)	7	6.7	7.1	6.4	5.4
Market Capitalization/GDP (%)			8.8	35.8	58.7
Per Capita real GDP Growth (%)	1.6	0.5	3.2	3.7	5.4
Real GDP Growth (%)	4	2.9	5.6	5.8	7.2

**Note:** Domestic credit to the commercial sector is taken as proxy for private credit. Source: RBI, Working Paper on Financial Structure and Economic Development in India; An Empirical Evolution by S. Sahoo, February 2013.

First, an important indicator of bank-based financial deepening, i.e. Private sector credit has expanded rapidly in the past five decades thereby supporting the growth momentum. Second, financial innovations have influenced velocity circulation of money by both reducing the transaction costs and enhancing the liquidity of financial assets. A relatively increasing value of velocity could be seen as a representative indicator of an efficient financial sector. In case of India, the velocity circulation of broad money has fallen since 1970s partly reflecting the fact that, in the midst of crisis, money injected to the system could not get distributed efficiently from the banking system to non-banks. Sharper fall in the velocity of narrow money reflected reluctance among banks as well as the public to part with liquidity. Third, the market-based indicator of financial deepening, i.e., market capitalization-to-GDP ratio has increased very sharply in the past two decades implying for a vibrant capital market in India. Various reform measures undertaken since the early 1990s by the Securities and Exchange Board of India (SEBI) and the Government of India have brought about a significant structural transformation in the Indian capital market. Although the Indian equity market has become modern and transparent, its role in capital formation continues to be limited. Unlike in some advanced economies, the primary equity and debt markets in India have not yet fully developed. The size of the public issue segment has remained small as corporate have tended to prefer the international capital market and the private placement market. The private corporate debt market is active mainly in the form of private placements.

#### NPA Management Efficiency based Ranking of Indian Banks-2014

Banks	2013-2014		2012-2013		2011-2012		Composite Rank
	NPA Score	Rank	NPA Score	Rank	NPA Score	Rank	
Corporation Bank	0.62	5	0.58	2	0.651	1	1
Bank of Baroda	0.562	7	0.555	6	0.568	5	2
Canara Bank	0.511	10	0.569	3	0.552	8	3
Dena Bank	0.57	6	0.568	4	0.528	11	4
Bank of Maharashtra	0.705	1	0.543	8	0.507	15	5
State Bank of Travancore	0.624	4	0.407	21	0.57	4	6
Syndicate Bank	0.674	3	0.545	7	0.49	19	7
Axis Bank Ltd.	0.529	9	0.564	5	0.498	17	8
Allahabad Bank	0.216	29	0.601	1	0.567	6	9
Vijaya Bank	0.695	2	0.495	11	0.453	23	10
State Bank of Patiala	0.539	8	0.486	14	0.499	16	11
Bank of India	0.49	12	0.443	18	0.522	12	12
Federal Bank Ltd.	0.485	14	0.46	16	0.513	13	13
State Bank of Hyderabad	0.509	11	0.515	9	0.453	24	14
Indian Overseas Bank	0.377	21	0.485	15	0.535	9	15
Oriental Bank of Commerce	0.474	15	0.392	23	0.559	7	16
HDFC Bank Ltd.	0.488	13	0.489	13	0.477	20	17
IDBI Bank Ltd.	0.39	20	0.41	20	0.534	10	18
Punjab National Bank	0.338	25	0.396	22	0.57	3	19
Indian Bank	0.408	18	0.451	17	0.49	18	20
Punjab & Sind Bank	0.391	19	0.496	10	0.432	26	21
United Bank of India	0.344	23	0.423	19	0.508	14	22
Central Bank of India	0.282	28	0.102	30	0.617	2	23
Andhra Bank	0.335	26	0.494	12	0.451	25	24
Union Bank of India	0.454	16	0.365	25	0.391	27	25
State Bank of Bikaner & Jaipur	0.376	22	0.349	26	0.47	21	26
State Bank of Mysore	0.341	24	0.373	24	0.459	22	27
ICICI Bank Ltd.	0.431	17	0.31	28	0.221	29	28
State Bank of India	0.317	27	0.233	29	0.291	28	29
UCO Bank	0.16	30	0.32	27	0.181	30	30

Source: The Institute of Cost Accountants of Indian, January-2015.

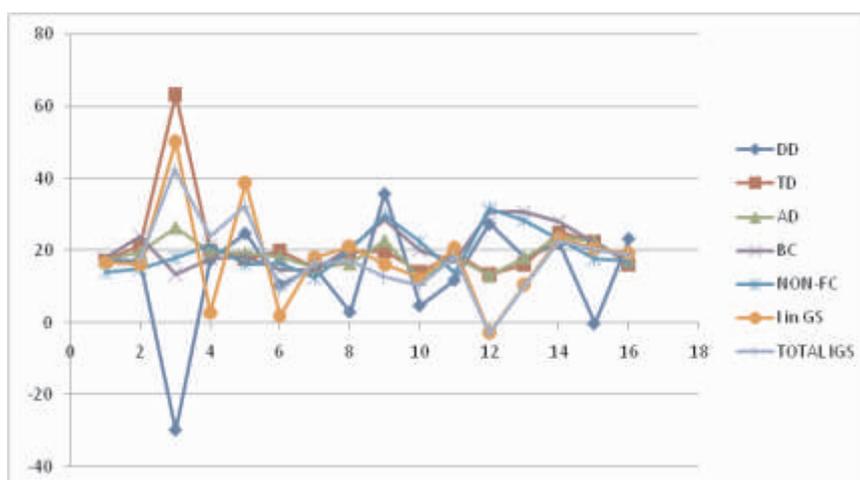
GROWTH RATE OF BANKING AGGREGATES OF COMMERCIAL BANKS SELECTED ITEMS (%)

YEAR	DD	TD	AD	BC	NON-FC	I in GS	TOTAL IGS
1970-71	17.5	17.4	17.5	18	14.1	16.7	
1975-76	17.2	21.5	19.7	24.1	14.8	16.2	17.7
1977-78	-29.8	63.2	26.4	13.4	18	50.3	42.6
1980-81	17.4	20.2	19.6	17.8	21.5	2.8	24.1
1984-85	24.9	17.9	19.2	18.5	16.1	38.8	32.4
1985-86	10.5	20.1	18.2	14.5	16.5	1.9	8.9
1990-91	15.1	15.4	15.3	14.6	12.4	18.2	16.6
1992-93	3	19.6	16.4	21	20.1	21.1	17.1
1994-95	35.9	19.9	22.8	28.7	29.8	16.3	12.6
1995-96	4.8	14.1	12.1	20.1	22.5	12.4	10.4
2000-01	11.9	19.5	18.4	17.3	13.6	20.9	18.4
2005-06	27.5	13.5	13.1	30.9	31.8	-2.7	-3.1
2006-07	17.9	16.4	18.1	30.8	28.5	10.7	10.3
2007-08	22.1	25.1	23.8	28.1	23.1	23.5	22.8
2008-09	-0.2	22.5	22.4	22.3	17.8	20.6	20.1
2009-10	23.4	16.2	17.2	16.9	17.1	19.3	18.7

Source: Reserve Bank of India Bulletin-Variou issues-2014

DD=Demand Deposit, TD=Time Deposit, AD= Aggregate Deposit, BC= Bank Credit, NON-FC= Non-Food Credit, IGS= Investment in Government Securities.

Table 5.3 portrays that the demand deposits was positive with the higher of 35.9 per cent in 1994-95 and lowest of per cent in 1992-93 and it was negative in 977-78 (-29.8 per cent) and 2008-09 (-0.2 per cent ). The variation shows the banking habit of the people and the picture was after 2003. The time deposit was positive for all these years with 17.4 per cent 1970-71 and 16.2 per cent in 2009-10. The aggregate deposits were also positive in all these years with the highest of 26.4 per cent in 1977-78. The bank credit was 18 per cent in 1970-71 and 16.9 per cent in 2009-10 and the non-food credit was 14.1 per cent in 1970-71 and 17.1 per cent in 2009-10. Investment in Government securities was positive in most of the years with the highest of 32.4 per cent in 1984-85.



Source: Computed By New Version Software Origin 8.5 Graphic Card, April-2015

### LOANS AND ADVANCES OF PACS, SCARDBs AND PCARDBs (Numbers in million; Amount in Rs. Billion)

Year	PAC Societies			SCAD Banks			PCARD Bank		
	Advanced	Outstanding		Advanced	Outstanding		Advanced	Outstanding	
	No. Of Borrowers	Amt	Amt Outstanding	No. Of Borrowers	Amt	Amt Outstanding	No. Of Borrowers	Amt	Amt Outstanding
1990-91	17	43.11	64.86	-	3.84	13.48	-	3.76	20.14
1995-96	24	105.52	129.8	-	17.98	68.57	-	12.19	40.98
2000-01	47	256.98	345.22	-	25.86	125.96	-	18.66	82.76
2001-02	56	307.69	407.79	-	27.46	141.1	-	20.45	100.05
2002-03	64	339.96	424.11	-	29.62	153.33	-	21.51	108.09
2003-04	51	351.19	438.73	-	29.42	162.21	-	21.97	113.36
2004-05	45	392.11	487.85	-	22.91	174.04	-	25.06	126.33
2005-06	46	429.19	517.79	-	29.07	176.78	-	22.96	128.7
2006-07	48	496.13	586.19	-	24.36	186.44	-	19.68	121.79
2007-08	51	576.43	656.66	-	22.21	183.27	-	18.22	118.01
2008-09	46	587.87	640.45	-	25.85	162.79	-	20.45	112.29
2009-10	60	749.35	764.81	-	32.05	169.99	-	24.65	115.12
2010-11	52	913.04	877.68	4.01	39.11	184.57	4.01	33.24	120.03
2011-12	45	1073	912.43	-	41.59	194.17	-	33.41	126.01

Source: National Bank for Agriculture and Rural Development Bank-2013-14.

PACS: Primary Agricultural Credit Societies,

SCARDB: State Co-operative Agricultural and Rural Development Bank

PCARDB: Primary Co-operative Agricultural and Rural Development Bank

Above table shows the loans and advances of various agriculture and Rural Development Banks (NABARD). In the year of 1990-91 17 millions of borrowers stood an outstanding amount in PACS. In 2000-01, 2005-06, 2011-12, 47, 46 and 45 million borrowers stood on outstanding amount nearly 912.43 billion rupees. In SCARDBs and PCARDBs in the year of 1990-91 13.48 and 20.14 billion rupees was outstanding amount in respect of 2005-06 174.04 and 126.33 billion rupees has an outstanding amount. Year of 2011-12 194.17 and 126.01 billion rupees has an outstanding amount respectively.

### CONCLUSION

Rating agency ICRA said banks non-performing assets (NPAs) ratios may see a sharp rise to to 5.5 percent to 6.5 percent in 30 June 2015 from the present 3.3 percent once the RBIs revised guidelines on bad asset classification come into force as for the likely impact of the guidelines on NPAs there could be a steep increase in the reported NPA percentage from 3.3 percent as on March 2013 to as high as 5.5-6.5 percent in 30 June 2015 the rating agency said in a note. On the stringent conditions imposed for restructuring by the RBI the rating agency said that restructuring would more difficult, prompting unviable exposures to slip into NPA category

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