iJRASET
International Journal For Research in Applied Science and Engineering Technology

INTERNATIONAL JOURNAL FOR RESEARCH

IN APPLIED SCIENCE & ENGINEERING TECHNOLOGY

Volume: 7 **Issue:** VIII **Month of publication:** August 2019

DOI: http://doi.org/10.22214/ijraset.2019.8092

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International Journal for Research in Applied Science & Engineering Technology (IJRASET)
ISSN: 2321-9653; IC Value: 45.98; SJ Impact Factor: 7.177
Volume 7 Issue VIII, Aug 2019- Available at www.ijraset.com

A Study on the Growth of Select Nationalized Banks in India

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Abstract: ***Banking sector plays an important role in the financial development of the country. The banking system in India is a large network of bank branches and provides many kind of financial services to the public. The current study evaluates the growth of the top five Nationalised banks in India terms of Deposits, Advances, Investments, Interest Income, Net Worth, Net Profit and Non- Performing Assets. The current research is based on the descriptive and analytical nature. The data used for the study was entirely secondary in nature and was taken from the annual reports of the respective banks for the period 2014-15 to 2018-19. The study found that the Punjab National Bank and Canara Bank had more deposits, advances and Interest income than the Central Bank of India, Bank of Baroda and Bank of India. But in terms of Investments and Net worth the Bank of Baroda plays better role than the other select banks. Net Profit of the all the select banks shows the fluctuating trend during the study period. In the case of Non-Performing Assets the Bank of India had more Non-Performing Assets than the other select banks. Based on the findings, the study reveals that among all the five banks the Punjab National Bank and Canara Bank performs well than the other banks.***

I. INTRODUCTION

Banking constitutes an important sector of an active financial system of a country. The banking sector provides a strong basis on which the structure of a modern financial system of country stands. The developments of banking have a profound effect on the growth of a country. Enhancing profitability, maintaining liquidity and improving growth of performance of commercial banks are the key objectives of the economic reforms in India.

A compact and well-functioning financial sector is a dynamic machine behind the economic development in a country. In the financial sector, commercial banks play a very dynamic role by mobilizing the savings and allocating them towards economic development. Though in global frame work, Indian banking is an advantageous position on account of having a network throughout the country.

In India, commercial banking holds an important segment of the territory sector. It act as the backbone of our economic progress and prosperity. It plays a pervasive role in the development channel. Indian banking sector has under gone major transformation during the past three decades and has made more socially relevant and development oriented. The financial sector reforms also include increase in the number of banks due to the entry of new private and foreign banks, increase in transparency of the banks' balance sheets through the introduction of prudential norms and increase in the role of the market forces due to the deregulated interest rates. These have significantly affected the operational environment of the Indian banking sector.

Today, the Indian commercial bank management is facing two-faced challenge to not only to improve the profitability but also serve to the public in a right way. It can be meant that greater efficiency and effectiveness in the noble task of fulfilling the socio-economic responsibilities and commercial viability of the banking should not be ignored. As per the banking sector healthy growth, term viability and lasting long-term viability lasting contribution of banks must accord due to emphasis on profitability.

A. Nationalised Banks

The concept of the banking system in India was developed during the British era. The British East India Company has to its credit establishing three banks in India namely Bank of Bengal during 1809, Bank of Bombay in 1840 and Bank of Madras in 1843. All these three banks were amalgamated and the Imperial Bank came into existence which was further taken over by SBI during 1955.

Nationalisation refers to the transfer of public sector assets to be operated or owned by the state or central government. In India, the banks which were previously functioning under private sector were transferred to the public sector by the act of Nationalisation and thus the Nationalised banks came into existence. The history of banking in India states that the post-independence, the Government of India initiated various measures to play an active role in the economic development of the nation which resulted in the

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establishment of the Reserve Bank of India in April 1935 and later Nationalised the same during 1949 under the terms of the Reserve Bank of India Act of 1948 and another measure is the nationalization of banks in India. Post-independence, the Indian government adopted a planned economic development for the betterment of the country. The government of India under the leadership of the then Prime Minister Indira Gandhi issued an ordinance to nationalize 14 largest commercial banks in India with effect from July 19, 1969, under the regulatory authority of the Reserve Bank of India. These 14 banks contained up to 85 percent of bank deposits in the country and most of them were privately owned. During 1980, 6 more commercial banks followed the suit and came under nationalized cover. Till the 1990s, their growth grew at a snail's pace of around 4% annually. During early 1990's, the government of India adopted the policy of liberalization and licensed a small number of private banks in the country which helped for the rapid growth of the economy of India.

B. Need for the Nationalisation

1) For Social Welfare
2) For Developing Banking Habits
3) For Expansion of Banking Sector
4) For Controlling Private Monopolies
5) To Reduce Regional Imbalance
6) For Prioritizing Sector Lending List of nationalized banks in India The Central Bank of India - RBI, in its official website has listed the following 19 banks as Nationalised banks.

Table1
List of Nationalised Banks in India.

Sl.no	Bank Names	Year of Natonalisation
1	Andhra Bank	1980
2	Allahabad Bank	1969
3	Bank of Baroda	1969
4	Bank of India	1969
5	Bank of Maharashtra	1969
6	Canara Bank	1969
7	Central Bank of India	1969
8	Corporation Bank	1980
9	Dena Bank	1969
10	Indian Bank	1969
11	Indian Overseas Bank	1969
12	Oriental Bank of Commerce	1980
13	Punjab& Sind Bank	1969
13	Punjab National Bank	1969
14	Syndicate Bank	1969
15	UCO Bank	1969
16	Union Bank of India	1969
17	United Bank of India	1969
18	Vijaya Bank	1969

II. REVIEW OF LITERATURE

Ram Mohan and Ray (2004) conducted a study on “Productivity, Growth and Efficiency in Indian Banking – A Comparison of Public, Private and Foreign Banks”, the study compared the performance of 58 banks comprising public sector, private sector and foreign banks using a revenue efficiency approach for the period 1992-2000. Loans, investments and other incomes were taken as bank outputs. Ram Mohan and ray took the following inputs for their study- deposits and operating costs. During the period, Indian banks did not have much freedom in trimming costs, and especially the cost of labour, under such circumstances, revenue maximization best described the objective that banks have been forecasting during the period.

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Nath et.al (2005), studied "Efficiency Bench Marking of Indian Commercial Banks in the Deregulated Financial Environment" The efficiency of 68 commercial banks operating in India for the period 1996-1999 was taken, using the output oriented DEA model. The following output considered of the banking industry- Deposits, Net profits, Advances given by the banks, non-interest income and interest spread. The input parameters taken into consideration are: net worth of the related expenses like sum of the establishment expenses, rent, taxes, electricity, printing and stationary, advertising, depreciation, director's fee, auditor fee, law charges, and a number of bank branches in the country. The results from the study show that the private commercial banks have the highest efficiency figures and the least variation whereas the foreign owned banks exhibits the least average efficiency figure and the maximum variation. The public sector banks lie in between.

K. Kosimidou and c. Zopounidis (2005). Studied "Evaluating the Performance of the Greek Banking System'. The main objective of the study was to evaluate the performance and profitability factors on the Greek banking system. Based on the size, a classification of Greek bank into group of small or large for the period 1998-2003 takes place. In order to investigate the differences of performance related with the size of banks, the discriminate analysis and logistic regression has been used.

Harpreet kohli and chawla (2007) studied " Profitability Trends in Commercial Banks: A Study of Select Commercial Banks". The profitability performance of different banks during the study period found that most of the indicators have been shown the performance of the two private sector banks ICICI bank and Bank of Punjab the profitability has been better than the two public sector banks like SBI Group and Punjab National Bank. It is concluded that the entry of private sector banks has undoubtly contributed to the strengthening the Indian banking system by creating a competitive atmosphere. Enhancing efficiency and performance of public sector banks (2008) is a key objective of economic reforms in many countries including India. It is believed that private ownerships improve efficiency and performance of banks. The study examined the impact of privatization on banks performance and efficiency using data of banks in India for the five year period 1998-2002. No significant performance or efficiency in difference was seen in these two cohorts of banks. Overall, going by the results of the study, partially privatized have continued to show improved performance and efficiency in the years after privatization.

Cheenu Goel and chitwan Bhutani Rekhi (2013) conducted the study on "A Comparative Study on the Performance of Selected Public Sector and Private Banks in India". This study attempts to measure the relative performance of Indian banks. This study covered the three years period from 2009 to 2012. Here different proxy indicators are used for measuring productivity of banking sector. Segmentation of banking sector in India was done on bank asset size. Overall, the analysis supports the conclusion that new banks are more efficient that old ones. The public sector banks are not as profitable as other sectors are. It means that efficiency and profitability are interrelated. The key to increase performance depends upon ROA, ROE and NIM.

III. OBJECTIVES OF THE STUDY

A. To study the growth of top five Nationalised banks in India.

B. To compare the growth of top five Nationalised banks in India

IV. RESEARCH METHODOLOGY

The present study is descriptive research study based on the analytical research design. The study is concerned with the Indian banking industry. A top five Nationalised banks were selected for this study. The banks were selected based on the market capitalization of the banks. List of top five Nationalised banks is given below.

Top Five Nationalised Banks in India

S.No	Name of the Bank	Year of Inception	Market Capitalisaton Rs in Crores
1	Bank of Baroda	1909	39,960.52
2	Punjab National Bank	1895	23,699.52
3	Central Bank of India	1911	21,233.26
4	Canara Bank	1906	21,029.46
5	Bank of India	1906	17,726.09

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A. Period of the Study

The study covered a period of five years commencing from 2014-15 to 2018-19.

B. Source of Data

The study was based on the secondary data and the required data were collected from the RBI's Report on Trend and Progress of Banking in India.

C. Profile of Top Five Nationalised Banks in India

1) Bank of Baroda: Bank of Baroda established in the year of 1908, it is the top Nationalised bank among the 19 Nationalised banks having its headquarters in Vadodara in Gujarat. Bank of Baroda providing the services related to banking and finance. Currently, it has 5573 branches and more than 1600 ATMs. Bank of Baroda caters more than 78 million customers in around 25 countries all over the world.
2) Punjab National Bank: Punjab National Bank was established on 1895 in Lahore. Punjab National Bank has its headquarters in New Delhi. The Punjab National Bank has about 10,000 ATMs and 6900 branches. 62% of the branches set up in semi-urban and rural areas
3) Central Bank of India: It is the oldest bank in India. Central Bank of India established in the year of 1911. The bank has its headquarters in Mumbai. At now the Central Bank of India has 4715 branches, one extension counter and 10 satellite offices in various centers in all over the country.
4) Canara Bank: Canara bank is state owned commercial bank. It estabilished in the year if 1906. It has its headquarters in Bengaluru. Canara Bank has its global presence with branches of Hong Kong, Leicester, Shanghai, London, New York, Manama, Johannesburg and Dubai. It has 6204 branches and 9395 ATMs in all over the country. Canara Bank honored with MSME banking excellence award in the year 2014.
5) Bank of India: Bank of India was established on September 7, 1906. Initially, the bank was privately owned and controlled but turned into a Public Sector bank in 1969 after the Nationalisation of banks. it has more than 5000 branches operating in the country and 60 branches operating in 22 countries abroad. The important overseas centers of this bank are Singapore, Paris, Tokyo, Hong Kong, New York, New Jersey and London.

D. Variables Used in this Study

For the purpose analyse the growth of Nationalised banks the following variables are used as a indicators

1) Deposits
2) Advances
3) Investments
4) Interest Income
5) Net Worth
6) Net Profit
7) Net Non-Performing Assets

V. RESULT AND DISCUSSION

Table-1
Growth of Deposits of Top Five Nationalised Banks in India
(Rs in Crores)

Year / Banks	2018-19	2017-18	2016-17	2015-16	2014-15	CAGR
Bank of Baroda	638,689.72	591,314.82	601,675.17	574,037.87	617,559.52	1%
Punjab National Bank	676,030.14	642,226.19	621,704.02	553,051.13	501,378.64	6%
Central Bank of India	299,855.44	294,838.86	296,671.19	266,184.19	255,572.39	3%
Canara Bank	599,033.27	524,771.86	495,275.24	479,791.56	473,840.10	5%
Bank of India	520,862.35	520,854.38	540,032.01	513,004.52	531,906.63	0%

Source: Annual Reports of Select banks

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The deposits are the major capital of the bank. As revealed from the Table-1, the deposits of all the select Nationalised banks increased during the five years period ending 2018- 19. Among all the five banks, the deposits mobilized by the Punjab National Bank had a highest Compound Annual Growth Rate of 6% during the study period, Followed by Canara Bank (5%), Central Bank of India (3%) and Bank of Baroda (1%). In case of Bank of India registered the negative trend of deposits during the study period. The total deposits of Punjab National Bank had increased from Rs 617,559.52 crores in 2014-15 to Rs 638,689.72 crores in 2018-19.

Table-2
Growth of Advances of Top Five Nationalised Banks in India
(Rs in Crores)

Year / Banks	2014-15	2015-16	2016-17	2017-18	2018-19	CAGR
Bank of Baroda	428,065.14	383,770.18	383,259.22	427,431.83	468,818.74	2%
Punjab National Bank	380,534.40	412,325.80	419,493.15	433,734.72	464,474.05	4%
Central Bank of India	188,477.53	180,009.59	139,398.77	156,542.18	146,525.36	-5%
Canara Bank	330,035.51	324,714.82	342,008.76	381,702.99	427,727.27	5%
Bank of India	402,025.54	359,188.95	366,481.67	341,380.19	341,005.94	-3%

Source: Annual Reports of Select banks

The table -2 indicates that the Advances of select Nationalised banks had shown a significant improvement except Central Bank of India and Bank of India. Of all the select Nationalised banks, Canara Bank registered an increasing trend in advances. Its total advances had increased from Rs 330,035.51 crores in 2014-15 to 427,727.27 crores in 2018-19. It shows highest Compound Annual Growth Rate of 5% during the study period. Punjab National Bank was in second position with the Compound Annual Growth Rate of 4%, followed by Bank of Baroda (2%). The Central Bank of India and Bank of India shows the decreasing trend during the period of study.

Table-3
Growth of Investments of Top Five Nationalised Banks in India
(Rs in Crores)

Year / Banks	2014-15	2015-16	2016-17	2017-18	2018-19	CAGR
Bank of Baroda	122,319.72	120,450.52	129,630.54	163,184.53	182,298.08	8%
Punjab National Bank	151,282.36	157,845.89	186,725.44	200,305.98	202,128.22	6%
Central Bank of India	95,473.92	88,867.54	92,094.88	102,631.61	125,298.07	6%
Canara Bank	145,346.18	142,309.30	150,265.89	144,053.67	152,985.30	1%
Bank of India	119,792.04	118,848.92	127,826.86	137,111.11	147,639.04	4%

Source: Annual Reports of Select banks

The table-3 shows the data related to investments of select Nationalised banks during the period of 2014-15 to 2018-19. The investment is the one of the main part of total assets which is used for various areas. The table -3 reveals the Bank of Baroda had the highest investment than other select Nationalised banks which mean bank of Baroda made more investments than the other select Nationalised banks for the assets in other areas. The Bank of Baroda registered the largest Compound Annual Growth Rate of 8%. The lowest Compound Annual growth Rate was in Canara Bank (1%).

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Volume 7 Issue VIII, Aug 2019- Available at www.ijraset.com

Table-4
Growth of Interest Income of Top Five Nationalised Banks in India
(Rs in Crores)

Year / Banks	2014-15	2015-16	2016-17	2017-18	2018-19	CAGR
Bank of Baroda	42,963.56	44,061.28	42,199.93	43,648.54	49,974.11	3%
Punjab National Bank	46,315.36	47,424.35	47,275.99	47,995.77	51,310.25	2%
Central Bank of India	26,408.78	25,887.90	24,661.41	24,035.52	22,638.57	-3%
Canara Bank	43,750.04	44,022.14	41,387.64	41,252.09	46,810.34	1%
Bank of India	43,429.91	41,796.46	39,290.85	38,071.41	40,767.81	-1%

Source: Annual Reports of Select banks

As noticed from the table-4, interest income of Bank of Baroda, Punjab National Bank and Canara Bank was gradually increased. Bank of India and Central Bank of India had shown the decreasing the trend in interest income during the study period. The Bank of Baroda had shown the highest Compound Annual Growth Rate of 3%. It was comparatively higher than the other select Nationalised Banks.

Table-5
Growth of Net Worth of Top Five Nationalised Banks in India
(Rs in Crores)

Year / Banks	2014-15	2015-16	2016-17	2017-18	2018-19	CAGR
Bank of Baroda	39,835.35	40,198.98	40,303.25	43,394.77	50,983.09	5%
Punjab National Bank	37,691.97	35,465.36	38,096.45	37,390.48	41,204.90	2%
Central Bank of India	15,642.75	14,921.79	17,951.14	17,985.54	19,147.40	4%
Canara Bank	26,453.38	26,158.54	28,312.39	29,080.10	29,729.05	2%
Bank of India	31,446.74	32,317.22	32,487.07	29,991.48	46,319.16	8%

Source: Annual Reports of Select banks

Net Worth is the difference between the total assets and total liabilities. As noticed from the table-5, Net Worth of select Nationalised banks had shown the increasing trend during the study period from 2014-15 to 2018-19. Of all the five banks Bank of India had registered the highest Compound Annual Growth Rate of 8% during the study period. Because the Bank of India never uses the total assets in terms of advances and investments. It is confirmed with the previous tables. The Bank of Baroda was in second position; it had the Compound Annual Growth Rate of 5%, followed by Central Bank of India (4%), Punjab National Bank (2%) and Canara Bank (2%).

Table-6
Growth of Net Profit of Top Five Nationalised Banks in India
(Rs in Crores)

Year / Banks	2014-15	2015-16	2016-17	2017-18	2018-19	CAGR
Bank of Baroda	3,398.44	-5,395.54	1,383.14	-2,431.81	433.52	-34%
Punjab National Bank	3,061.58	-3,974.40	1,324.80	-12,282.82	-9,975.49	-227%
Central Bank of India	606.45	-1,117.67	-2,439.10	-5,104.90	-5,641.48	-256%
Canara Bank	2,702.62	-2,812.82	1,121.92	9,548.24	347.02	-34%
Bank of India	1,708.92	-6,089.21	-1,558.31	-6,043.71	-5,546.90	-227%

Source: Annual Reports of Select banks

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As noticed from the table-6 the Net Profit of the select Nationalised banks shows the fluctuating trend during the study period. Among all the five banks Bank of Baroda and Canara bank had Net Profit of Rs 433.52 crores and 347.02 Crores in the period of 2018-19 after getting of Net Losses. All the select banks had net losses during the study period. Bank of Baroda and Canara Bank are comparatively better than the other select banks.

Table-7
Growth of Net Non-Performing Assets of Top Five Nationalised Banks in India

Year / Banks	2014-15	2015-16	2016-17	2017-18	2018-19	CAGR
Bank of Baroda	8,069.49	19,406.46	18,080.18	23,482.65	15,609.50	14%
Punjab National Bank	15,396.50	35,422.57	32,702.11	48,684.29	30,037.66	14%
Central Bank of India	6,807.45	13,241.80	14,217.83	17,377.87	11,333.24	11%
Canara Bank	8,740.09	20,832.91	21,648.98	28,542.40	22,955.11	21%
Bank of India	13,517.57	27,996.39	25,305.05	28,207.27	19,118.95	7%

Source: Annual Reports of Select banks

The Net Non- Performing Assets reflects the profitability of the loan portfolio of the banks. The table-7 shows fluctuating trend in Non-Performing Assets of select Nationalised banks during the study period. The low Non-Performing Assets reflects quality of the advances of the banks. On this front table-7 express, the Bank of India had the good quality of advances during the study period. The Bank of Baroda and Punjab National Bank had the same level of Compound Annual Growth Rate of 14%. Among all the select Nationalised Banks the Canara bank was in high risk than the other banks because the Compound Annual Growth Rate of Canara Bank was at 21%. It was comparatively higher than the other select Nationalised banks.

VI. CONCLUSION

The preceding analysis the deposit of the Punjab National Bank was in top position during the study period. High level of Deposits ensures the adequate source for the investment and good liquidity profile. In terms of Advances, Canara Bank had the highest Compound Annual Growth Rate (5%) than the other banks. Bank of Baroda was made more investment than the other select Nationalised Banks and also it had more interest income from the advances. Bank of India had the more assets than the liabilities. It express in terms of liabilities. The fluctuating trend of Net Profit indicates the banks are in weak position. The banks must take the remedial measures to reduce the Non-Performing Assets and improve the profitability of the banks.

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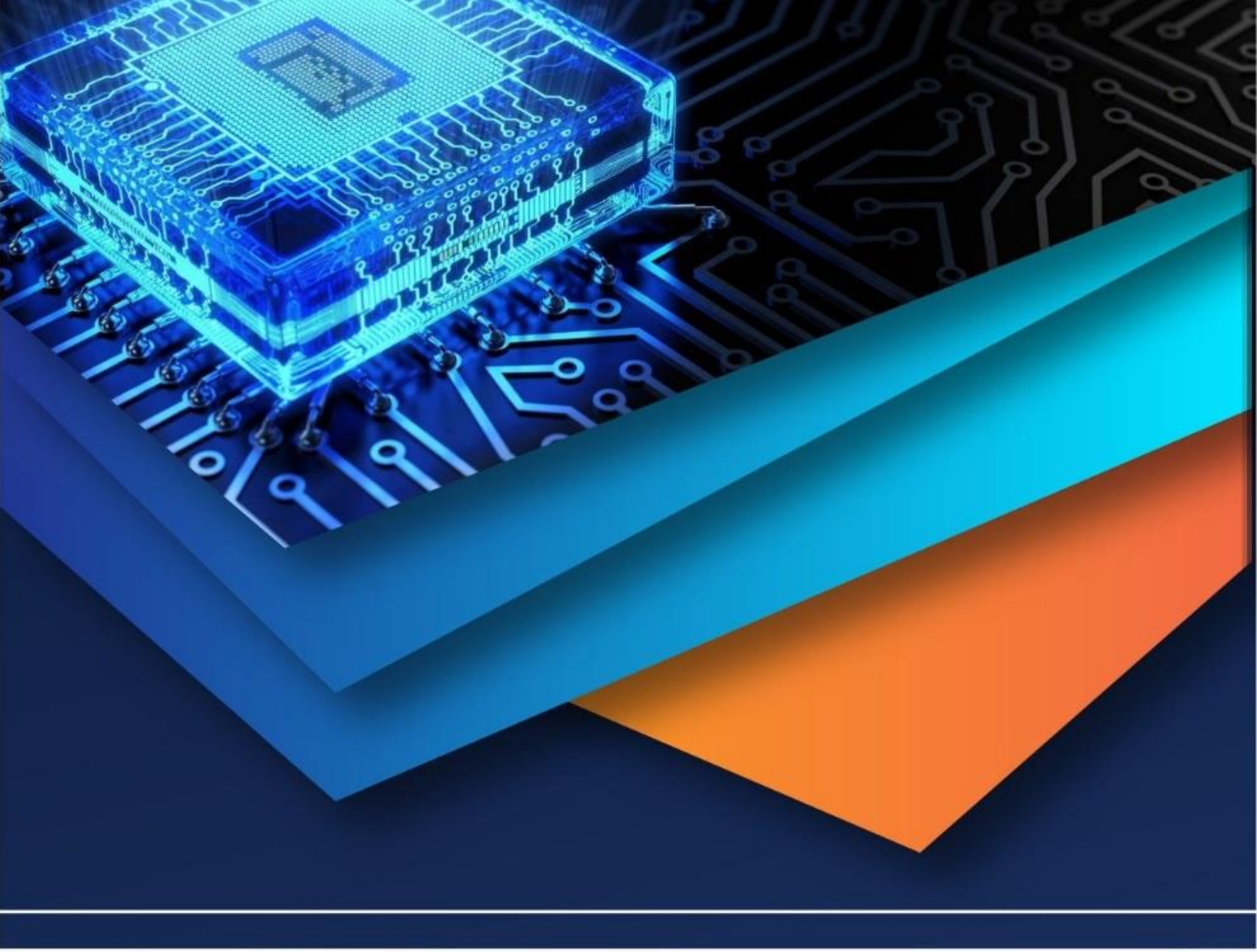

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