

A Study of Performance of Public, Private and Foreign Banks in Indian Financial System

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ABSTRACT

The Indian banking sector is an important part in Indian financial system. The banking system is important organization in the development process and transformation of an economy. The banking scene in India has undergone a transformation in the past decade, with the rapid globalization. Indian banking sector has risen as one of the strongest drivers for India's economic growth. In this present study can see the operation efficiency of commercial bank. The paper shows performance of three groups of banks namely public sector bank, private sector and foreign sector bank.

INTRODUCTION

Every country has its own financial system that act as backbone of its entire development. The key components of that financial system is banking sector. This banking system helps not only to the industrial sector and household but also agriculture sector. Like for providing financial help to agriculture a sector Regional rural bank was set up in 1975. In the recent past this sector has undergone various developments. The Indian financial systems consist of commercial bank, non-banking financial companies, development financial institution, insurance sector, rural financial institution and urban cooperative banks. Indian banking system occupies an important place in Indian economy. Banking sector has helped in developing the important sector of the economy. The Indian banking system is governed by banking regulation act of Indian 1949. according to banking regulation act banks are classified in to two categories non-scheduled banks and non-scheduled banks. Scheduled banks comprise commercial banks and the co-operative banks.

In terms of ownership, commercial banks can be further grouped into nationalized banks(20), the State Bank of India and its group banks(6), and private sector banks (the old/ new)(26) and foreign banks(33). These banks have over 67,000 branches spread across the country. The present scenario is concerned the Banking sector in India is going through a transitional phase. Globalization and liberalization of the sector in the early nineties, the Public Sector Banks (PSB) s found it very difficult to compete with the new private sector banks and the foreign banks. These banks due to their late start have access to state-of-the-art technology, which in turn helps them to save on manpower costs and provide better services. During the year 2015, the share of public banks private banks and foreign banks accounted for 11.3%, 16% and 5.8% respectively in deposits 78%, 88, and 80% respectively in credit during the year 2015.

Financial crisis, deregulation of money etc does not affect our banking sector so badly as compared to other countries. The important supervisory, regulatory and precautionary measures taken by the RBI have proven to be of significance with respect to financial crisis. It is also a reason for increase the services of foreign banks in India. India is considered as good platform for banking activities. The banking sector has translation the hopes and aspiration of millions of people into reality .it is to be outstanding heel that the banks possess 75 %of the financial sector's total assets. This paper deal with public sector, private sector and foreign sector banks in India through financial statement. Because of increasing competition in the banking sector public sector, private sector and foreign banks are trying their best performance.

Liquidity and Credit Conditions of India

The present short term economic Scenario has made India to keep the Cash Reserve Ratio (CRR) of the banks at 4 per cent of their net demand and time liabilities along with the repo rate under the Liquidity Adjustment Facility (LAF) kept unchanged at 6.25 per cent. The Reserve repo rate has been kept at 5.75 percent and the bank rate 6.75 per cent.

Head	Particular	Rates (%)
Policy rates	Bank Rate	6.75
	Repo rate	6.25
	Reserve Repo rate	5.75
Reserve Ratio	CRR (Credit reserve ratio)	4
	SLR (Statutory liquidity ratio)	21
Deposit Rate	Base Rate	9.3 – 9.7
	Deposit Rate	6.25 -9.25

Analysis of Assets and Liabilities of Indian Banks working in India

Assets and Liabilities of Foreign Bank working in India

(Rs in Crore)

Assets	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Over all Growth %
Cash Funds and Balances with other Banks	26,826.93	37,759.24	41,932.70	48,832.97	26,071.55	31,322.85	16.76
Fixed Assets	2,398.37	2,984.47	3,966.91	4,698.69	4,826.51	4,782.88	99.42
Investments	54,971.75	72,872.81	100,218.41	131,233.05	161,122.26	166,466.70	202.82
Loans and Advances (net)	97,571.07	126,338.55	161,132.63	165,414.55	163,288.11	176,496.98	80.89
Other Assets	21,048.85	39,195.04	57,915.22	97,486.08	79,108.66	68,930.55	223.48
Total Assets	202,816.97	279,150.11	365,165.87	447,665.34	434,417.09	447,999.96	120.89
Liabilities							
Capital and Reserves	23,952.13	32,843.66	49,157.97	59,574.99	68,463.74	70,934.41	196.15
Other Liabilities and provisions	25,515.40	44,540.49	66,733.69	104,135.81	74,709.53	69,030.93	170.55
Total Borrowings	39,878.80	50,966.30	58,079.07	68,812.51	53,390.36	64,269.37	61.16
Total Deposits	113,470.64	150,795.66	191,195.14	215,142.03	237,853.46	243,765.25	114.83
Total Liabilities and Capital	202,816.97	279,150.11	365,165.87	447,665.34	434,417.09	447,999.96	120.89

Assets and Liabilities of Private Banks in India

(Rs in Crore)

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Overall Growth %
Assets							
Cash Funds and Balances with other Banks	26,522.47	48,375.36	67,105.72	60,571.72	85,159.40	68,355.26	153.73
Fixed Assets	6,520.33	6,633.84	7,667.08	7,723.67	7,888.89	9,494.39	45.61
Investments	132,104.56	167,383.39	219,044.71	226,428.90	263,321.03	276,663.73	109.43
Loans and Advances (net)	217,426.11	294,976.42	353,778.53	381,703.11	419,360.91	449,063.79	106.54
Other Assets	18,102.14	24,666.62	30,838.60	37,095.79	32,386.34	33,341.18	84.18
Total Assets	400,675.61	542,035.63	678,434.64	713,523.19	808,116.57	836,918.35	108.88
Liabilities							
Capital and Reserves	33,737.86	38,782.13	75,104.87	81,196.89	98,509.58	103,050.91	205.45
Other Liabilities and provisions	45,589.12	64,754.94	74,440.96	79,779.14	97,036.11	93,200.29	104.44
Total Borrowings	31,914.70	33,777.06	27,881.78	28,436.93	33,697.00	35,655.36	11.72
Total Deposits	289,433.93	404,721.50	501,007.03	524,110.23	578,873.88	605,011.79	109.03
Total Liabilities and Capital	400,675.61	542,035.63	678,434.64	713,523.19	808,116.57	836,918.35	108.88

(Source: Reserve Bank of India, Bulletins 2009-10 to 2014-15)

Assets and Liabilities of Public Sector Banks in India

(Rs in Crore)

Public bank Assets	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Overall Growth %
Cash Funds and Balances with other Banks	117,823.38	144,513.36	187,343.00	203,703.23	242,144.76	208,632.86	77.07
Fixed Assets	9,983.81	15,739.09	23,704.32	27,595.56	27,580.35	27,738.69	177.84
Investments	404,433.68	448,267.81	528,891.92	648,862.05	821,022.40	822,766.68	103.44

Loans and Advances (net)	699,584.98	906,795.87	1,137,078.52	1,426,746.87	1,727,079.40	1,768,273.00	152.76
Other Assets	45,710.60	49,285.62	56,126.36	67,139.43	70,628.93	82,623.87	80.75
Total Assets	1,277,536.45	1,564,605.75	1,933,144.12	2,374,047.14	2,888,455.84	2,910,035.10	123.78
Liabilities							
Capital and Reserves	79,477.87	95,366.41	116,405.02	141,458.58	162,430.87	170,562.78	114.60
Other Liabilities and provisions	91,625.81	112,347.06	141,669.61	155,881.71	178,429.63	184,932.11	101.83
Total Borrowings	68,904.85	62,790.61	69,440.09	68,079.98	81,773.64	94,173.64	36.68
Total Deposits	1,037,527.92	1,294,101.67	1,605,629.40	2,008,626.87	2,465,821.70	2,460,362.57	137.14
Total Liabilities and Capital	1,277,536.45	1,564,605.75	1,933,144.12	2,374,047.14	2,888,455.84	2,910,035.10	123.78

(Source: Reserve Bank of India, Bulletins 2009-10 to 2014-15)

Scheduled Bank's Statement of Position in India as on Friday, November 25, 2016 Date: Dec 09, 2016

		(Amount in Billions of ₹)			
		ALL SCHEDULED BANKS			
			27-NOV-2015	11-NOV -2016	25-NOV-2016
I	LIABILITIES TO THE BKG.SYSTEM (A)				
	a) Demand & Time deposits from bks.		1554.42	1732.37	1962.96
	b) Borrowings from banks		535.52	641.66	507.22
	c) Other demand & time liabilities		63.76	42.15	40.49
II	LIABILITIES TO OTHERS (A)				
	a) Deposits (other than from banks)		93157.2	103851.44	108061.04
	i) Demand		8494.65	9916.9	11101.11
	ii) Time		84662.56	93934.56	96959.95
	b) Borrowings @		2555.27	3044.19	3288.63
	c) Other demand & time liabilities		4589.75	4839.37	4957.58
III	BORROWINGS FROM R.B.I. (B)		1043.22	477.3	30.7
	Against usance bills and / or prom. Notes		0	0	0
IV	CASH		667.14	2534.31	2675.33

V	BALANCES WITH R.B.I. (B)			3976.91	4249.22	4288.51
VI	ASSETS WITH BANKING SYSTEM					
	a) Balances with other banks					
	i) In current accounts			111.8	199.33	290.75
	ii) In other accounts			1702.27	1843.74	1858.1
	b) Money at call & short notice			347.29	479.58	326.58
	c) Advances to banks(i.e. due from bks.)			264.15	294.49	323.33
	d) Other assets			400	437.01	531.52
VII	INVESTMENTS (At book value)			27601.09	29755.75	33224.83
	a) Central & State Govt. securities+			27579.27	29728.8	33196.75
	b) Other approved securities			21.82	26.93	28.06
VIII	BANK CREDIT (Excluding Inter Bank Advance)			70482.52	75791.35	75149.02
	a) Loans, cash credits & Overdrafts \$			68304.43	73764.38	73122.58
	b) Inland Bills purchased			290.86	221.38	213.02
	c) Inland Bills discounted			1268.23	1226.38	1221.84
	d) Foreign Bills purchased			206.13	206.48	217.73
	e) Foreign Bills discounted			412.87	372.66	373.82

Source: Reserve Bank of India, <https://www.rbi.org.in/>

PERFORMANCE ON THE BASIS OF PRESENT STUDY

Tables depict the assets and liabilities of public sector bank private sector bank and foreign Banks in India for the period 2009-15. It is found that total assets of the public banks have shown growth by 123.78 %. The highest growth was seen in the year 2011-12 i.e. 23.55% whereas the lowest growth was in the year 2014-15 which is just 0.75%. Loans and advances have grown over the years but at a decreasing rate as in the year 2010-11 it showed growth of 29.62% while in 2012-13 the growth rate has fallen to 25.47%, in the next year it was 21.05% while in 2014-15 growth has been tremendously fallen to 2.39%. The total liabilities and capital of nationalized banks showed an overall growth of 123.78%. Total liabilities mainly comprise of total deposits.

Total deposits are the highest component of total liabilities and capital during all the mentioned years. The overall growth in the total deposits is 137.14%. It is highest in the year 2008-09 i.e. 25.10% and showed negative growth of -0.22% in the year 2014-15. Capital and reserves have increased over the years, first at an increasing rate and then at a decreasing rate. The growth rate has increased from 19.99% to 22.06% in the 2010-11 but after that the growth rate of capital and reserves have continuously decreased to 21.52%, 14.83% and 5.01% in the years 2012-13, 2009-10 and 2014-15 respectively.

Investments also showed a good overall growth of 103.44%. The highest growth rate was in the year 2013-14 i.e. 26.53% and the lowest were in the next year itself which is 0.21%. Cash funds and balances with other banks showed overall growth of 77.07%. There was a negative growth of -13.84% in the year 2014-15

Private Bank in India for last six years above table tells us that the total assets of the new private banks have shown growth by 108.88 %. The highest growth was seen in the year 2010-11 i.e. 35.28% whereas the lowest growth was in the year 2014-15 which is 3.56%. Total liabilities mainly comprise of total deposits. Total deposits are the highest component of total liabilities and capital during all the mentioned years. The overall growth in the total deposits is 109.03%. It is highest in the year 2010-11 i.e. 39.83% and showed lowest growth in the year 2014-15 i.e. 4.52%.

Capital and reserves showed the highest growth of 205.45% among the liabilities. Capital and reserves have increased over the years, the highest growth rate of capital and reserves was 93.66% in the year 2011-12 and the lowest was 4.61% in the year 2014-15. Other liabilities and provisions showed an overall growth of 104.44%. The highest was in the year 2010-11 i.e. 42.04% and there was negative growth of -3.95% seen in the year 2014-15. The overall growth rate of total borrowings was very little. It was just 11.72%. In 2013-14, it was highest i.e. 18.50% and 2011-12 saw a negative growth of (13.45%). Other side foreign banks have been increased by 120.89 % during the last six years.

The average growth rate of the assets of foreign banks was around 14%. The total assets have been decreased in the year 2013-14 and slightly increased by 3 % in the year 2014-2015. It is found that the loans and advances was the major component of the assets of foreign banks. The loans and advances of foreign banks have been increased by 80.89% during the last six years. The loans and advances have been increased during the last two years and the growth was only 2.66% in the year 08-09 and it has been negative in the year 2013-14. Again it has been positive and increased by 8.09% in the year 2014-15.

It is noteworthy to mention here, that the other assets of the foreign banks have been increased by 223.48 during the last 6 years. But here also the other assets have been increased in the year 2009-10 to 2012-13 only. The year 2013-14 and 2014-15 have shown decline in the other assets of the foreign banks.

The Capital and Reserves of Foreign Banks has increased by 37.14% in the year 2010-11 as compared to previous year and it has increased 49.65% in the year 2011-12 as compared to 2010-11. Subsequently, in the year 2012-13, 2013-14 and 2014-15 the growth was continuously reducing as compared to previous years. The overall growth in the last Six years was 196.15%.

The Total borrowings have shown an overall growth of 61.16% and Total Deposits have shown overall growth of 114.83% during the period from 2009-10 to 2014-15. According to recent over all commercial bank's statement (2016) the banks are performing well. Assets of bank increase show good performance in financial system.

CONCLUSION

The study indicated that all the banks were found to be different in terms of total assets, liabilities. In this study Selected group of Bank (public, private and foreign sector bank) for the period of (2009 to 2015) overall conclude good performance of mobilize saving into productive channel. Public sector bank is the largest sector of banking sectors its loan and advance increase other than group of banks. Foreign banks are good performing bank in respect of Return on Assets is good earned on Investment. Private bank is better performance in respect of net profit margin. Public sector bank need to improve management efficiency and control operations in the organization. The overall performance of the banks has been measured using financial aspects. Positive and significant relations have been found. According to recent over all commercial bank's statement(2016) the banks which are performing well in three aspect i.e. corporate social responsibility, customer satisfaction and employee satisfaction are found to be overall good performers.

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