

# The Banking Sector's Impact on Nation Building

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## ABSTRACT

The study appears to be aware of the performance of the State Bank of India and the Punjab National Bank by estimating the growth rate of performance metrics using time series data from 2001 to 2013. In nominal terms, the linear trend value of performance indicators has increased dramatically, which is a promising indicator for the 2020 vision. During the duration of the study, the guesstimated pace of growth for the number of consumers and amount accelerated as product types of credit, recovery outstanding, and overdues was witnessed. It is worrisome for the 2020 financial vision as a reflection of the developing advancement of the nation. A comparison of two of India's biggest banks reveals the country's speedier growth. Beyond these organizations, other banks are not developing at the pace needed for long - term growth caused by a variety of circumstances. The research concentrates on only two banks: State Bank of India and Punjab National Bank. These banks' financial vision 2020 tempo has been investigated.

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## INTRODUCTION

The State Bank of India was founded on July 1, 1956, Kolkata with the vision and mission "My customer is first or customer satisfaction is sole goal". It is multinational banking and financial services base in India. The State Bank of India is Government owned corporation with its head quarter at Mumbai (Maharashtra). Presently State Bank of India is global bank with a network of thirty two (32) countries having its branches.

The Punjab National Bank is an Indian financial services company based in New Delhi. The Punjab National Bank is largest bank in India in form of assets size. The Punjab National Bank was founded in 1895 as a private banking by LalaLajpat Rai and is currently the second largest state owned bank in India ahead of bank of Baroda with about 5,000 branches across the 764 cities .It serves over 37 million customers .The Punjab National Bank has been ranked 248<sup>th</sup> biggest

## REVIEW OF RELATED LITERATURE

- **Reserve Bank of India (1980-81)Government of India:** Report of the Agricultural Finance Sub-Committee, quoted in Charan D. Wadhwa, Rural Banks for Rural Development (New Delhi: McMillan Company, 1980), p. 1. The study indicated that Regional Rural Banks with losses and loan business of Rs. 8 crores would require about 6 years obtaining viability in this form banking.
- **Chore Committee (1984)** had been constituted by RBI to review the cash credit system under chairmanship of K.B.Chore in 1979. Its main terms of reference were to review the cash credit system and suggest modification and alternate type of credit facilities to promote greater credit discipline and relate credit limits to be productive. Seventh Five Year Plan, 1985-90, Vol. I (New Delhi: Planning Commission, Government of India, 1985), p. 13.
- **Narasimham Committee (2001)**, at the time of framing its recommendations of Financial Sector Reforms in 1992, had been quite concerned on the issue of Rural Banking. Report of Narasimham Committee on Rural Subsidiaries, *Kurukshetra*, Rural Credit System, January 2001, Vol. 49, No. 4, pp. 19-20.
- **Mitalisen and J.K. Patranayak (2006)** attempts to examine the effect of fee based services of Indian commercial banks on its debt structure choice with the determinants of capital structure as control variable. Influence of Fee based income on debt structure of Indian Commercial Banks. Empirical investigation Finance India (C) India institute of Finance Volume XX No 4 December 2006 pages 1449-1458.
- **Annual reports of State Bank of India from 2001-2013**
- **Annual reports of Punjab National Bank from 2001-2013**

**RESEARCH METHODOLOGY**

To examine the growth performance of both banks the time series secondary data has been collected on the parameters like number of borrowers, amount of advance recovery, outstanding and over dues from past years.

Linear growth rate model (LGR)

$$Y = a + bt$$

Where, Y = Dependent variables (number of borrowers, amount of advance recovery, outstanding and over dues)

a = intercept or constant

b = linear trend value

t = Time (from the base year 2001-2002 to 2012-2013)

Linear growth rate =  $b/Y \times 100$

Compound Growth rate model (CGR)

$$Y_t = ab^t$$

Or, Log  $Y_t = \log a + t \log b$

$$CGR \% = [ \text{Anti log of } b - 1 ] \times 100$$

Where, Y<sub>t</sub> = dependent variables (number of borrowers, amount of advance recovery, outstanding and overdues)

a = Intercept or constant

b = 1 + g (compound growth rate)

g = b-1

t = time (2001-2002 to 2012-2013)

**RESULT AND DISCUSSION**

The financial vision of working of Punjab National Bank has been studied with the help of annual reports of various years begins with 2001-2002 to 2012-2013. It is studied with the help of annual reports and self-computed data as depicted in

**Table 1 Linear growth rate performance indicators of Punjab National Bank during 2001-02 to 2012-13**

S.no.	particulars	Constant (a)	Co-efficient (b) or trend value	Linear growth rate in (%)	R <sup>2</sup>
1	No borrowers	39620.92	32246.56	12.15	0.853
2	Amount advanced	308725.25	154022.22	8.33	0.953
3	Amount recovered	9249.13	4894.24	7.33	0.886
4	Outstanding	17886.25	828.00	2.97	0.970
5	Overdues	15019.15	-3110.98	-1.39	0.949

Source: Annual reports and data is self-computed

The table 1 shows result in absolute term linear trend value for number of borrowers increased by 32346.56 per annum from base year 2001-2002. The amount of loan advanced to The registered borrowers linearly increased by 154022.22per annum. The Recovery of loan has been increased by 4894.24 per annum. The outstanding Rises significantly and was found to be 828 per annum. Beside this Overall increase, where all the performance indicators rose significantly from year 2001 - 2002 (base year) the overdues has reduced linearly by 3110.98 per annumThe linear growth rate of number of borrowers has increased by 12.15 percent Per annum from the year 2001-02 to 2012-13 .The amount advanced, recovery, Outstanding had shown positive linear growth whereas overdues had shown Negative growth rate per annum i.e. 12.15, 8.33, 7.33, 2.97 and -1.39 Which shows overall impact on working of Punjab national bank.

**Table 2 :Linear growth rate performance indicators of State Bank of India during 2001-2002 to 2012-2013**

S.no.	particulars	Constant (a)	Co-efficient (b) or trend value	Linear growth rate in (%)	R <sup>2</sup>
1	No borrowers	169182.71	115469.00	7.426	0.854
2	Amount advanced	104516.55	503113.50	7.103	0.854
3	Amount recovered	48989.75	132.12	0.26	0.909

4	Outstanding	665830.41	10284.24	15.26	0.967
5	Overdues	95455.07	-15242.50	-19.00	0.952

Source: Annual reports and data is self-computed

Linear trend value of borrowers, amount advanced amount recovered, outstanding has been increasing positively and found significant at 1 % level of significance (Table2 ) whereas overdues has been negatively found which shows better significance for State Bank of India. There was annual average increase of 115469 in number of registered borrowers under state Bank of India. The amount of overdues had decreased by 19 percent per annum. This indicates that liability of State bank of India highly decreased. The linear growth rate of number of borrowers, amount of advance, amount recovered and outstanding has been increased simultaneously showing better results for Bank. The overall progress of State Bank of India is better which shows better sign for financial vision 2020.

**Table 3 Compound growth rate performance indicators of Punjab National Bank during 2001-2002 to 2012-2013**

S.no.	particulars	Log (a)	a	Log (b)	compound growth rate in (%)	R <sup>2</sup>
1	No borrowers	3.00	25386.21	0.065	6.72	0.893
2	Amount advanced	2.63	123424.27	0.024	2.43	0.978
3	Amount recovered	2.46	2287.81	0.005	0.13	0.958
4	Outstanding	2.32	5208.30	0.044	5.59	0.933
5	Overdues	2.23	-2683.31	0.038	-6.58	0.972

Source : Annual reports and data is self-computed

The compound growth rate of performance indicators of State Bank of India has been estimated and same was presented in (table 3).The rate of growth of number of borrowers was found maximum (6.72%) followed by outstanding (5.59%) amount advance (2.43%) and minimum in amount recovered (0.13%) and negative in case overdues (6.58%).The value of co-efficient of all the performance indicators except overdues were found significant showing good sign of progress of imperial bank in country. Majority of people in the world had true faith in financial system o apex banking system.

### CONCLUSION

As evident from the results and discussion the results of the study that linear and compound rate of all the performance indicators of State Bank of India and Punjab National Bank were significant during the year 2001-2002 to 2012-2013.Over dues of both banks pay off whereas its quite enough in State Bank of India in compare to Punjab National Bank.

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