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State Bank of Bikaner and Jaipur

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Performance Analysis of Nationalised Banks in India

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Abstract

The Indian financial system is mainly comprised of financial institutions, financial markets, financial instruments and financial services. All the four organs of the system play a vital role in promoting overall economic development and growth of the country. The commercial banks and other financial institutions provide variety of financial services to the individual and institutional customers. The financial health of the banks is important. This paper is an attempt to study performance of 20 nationalised banks in India for a period of 10 years starting from financial year 2007-08 to 2016-17. The regression analysis is worked out for all the 20 nationalised banks in India. The independent are deposits and borrowings and dependent is loans. The study also concludes that there is significant impact between loan and deposits and borrowings

Keywords: performance, deposits, borrowings, and loans

Introduction

The Indian banking industry is an important tool to facilitate the development of the Indian economy. Therefore, the Government of India issued an ordinance and nationalized the 14 largest commercial banks with effect from the midnight of July 19, 1969. A second dose of nationalization of six more commercial banks followed in 1980. The Government of India controlled around 91% of the banking business of India. Later on, in the year 1993, the government merged New Bank of India with Punjab National Bank. It was the only merger between nationalized banks and resulted in the reduction of number of nationalized banks from 20 to 19. After this, until the 1990's the nationalized banks grew at pace of around 4%, closer to the average growth rate of the Indian economy.

In order to raise the standards of the banks internationally, a number of committees were appointed by RBI. Among them Narasimham committee I (1991), Narasimham Committee II (1998) and Verma Committee (1999) were influential in improving international standards, and led to banking sector reforms, globally flexible to its deregulation, norms and conditions etc. As on 31-3-2018, there are 20 nationalized banks.

Objectives of the Study

The objective of the study is to analyse the performance of the banks using regression analysis.

Research Methodology

The study is based on secondary data. The data is collected from the annual reports of 20 nationalised banks in India for a period of 10 years starting from financial year 2007-08 to 2016-17. The regression analysis is worked out for all the 20 nationalised banks in India. The

inputs are deposits and borrowings and output is loans. The independent are d borrowings and dependent is loans.

Regression Analysis where output is Loan (Dependent Variable)

Particular	coefficient	Standard error	T-statistic	Probable value	Adjusted R square	Durbin Watson test
Allahabad Bank						
					0.997038	3.226181
C	21773.18	32293.06	0.674237	0.5218		
INPUT_DEPOSITS	0.52	0.065203	7.963485	0.0001***		
BORROWINGS	3.15	0.767286	4.109344	0.0045***		
Bank of Baroda						
					0.995386	1.76300
C	110869.50	62236.8	1.781414	0.1181		
INPUT_DEPOSITS	0.52	0.077868	6.682348	0.0003***		
BORROWINGS	2.57	1.258042	2.0453	0.0801*		
Bank of India						
					0.987957	1.506835
C	-568.90	96511.39	-0.0059	0.9955		
INPUT_DEPOSITS	0.74	0.095076	7.802581	0.0001***		
BORROWINGS	0.04	0.987116	0.044518	0.9657		
Bank of Maharashtra						
					0.99	1.39
C	-66356.10	18490.55	-3.59	0.01		
INPUT_DEPOSITS	0.76	0.04	20.65	0.00***		
BORROWINGS	0.94	0.32	2.94	0.02*		
Central Bank of India						
					0.989806	1.228072
C	-48077.17	56995.54	-0.84353	0.4268		
INPUT_DEPOSITS	0.66	0.04	14.89112	0***		
BORROWINGS	1.138862	0.347274	3.27943	0.0135		
Dena Bank						
					0.995543	2.333934
C	-6783.26	12970.94	-0.52296	0.6171		
INPUT_DEPOSITS	0.71	0.025628	27.5929	0***		
BORROWINGS	-0.10	0.352811	-0.2742	0.7918		
Indian Bank						
					1.00	1.76
C	-69943.06	16995.26	-4.12	0.00		
INPUT_DEPOSITS	0.77	0.02	43.16	0.00***		
BORROWINGS	0.64	0.58	1.10	0.31		
Indian Overseas Bank						
C	7910.56	47880.77	0.165214	0.8734	0.987892	0.863908

INPUT_DEPOSITS	0.61	0.06	10.1758	0***		
BORROWINGS	1.230573	0.468026	2.629283	0.0339*		
Punjab National Bank						
C	12440.83	104818.70	0.12	0.91	1.00	0.95
INPUT_DEPOSITS	0.68	0.10	6.71	0.00***		
BORROWINGS	0.77	0.80	0.96	0.37		
Syndicate Bank						
C	-106975.10	71442.08	-1.49737	0.178	0.99096	0.860601
INPUT_DEPOSITS	0.82	0.099951	8.221519	0.0001***		
BORROWINGS	0.18	0.781827	0.231528	0.8235		
UCO Bank						
C	36539.39	90060.56	0.40572	0.6971	0.941529	0.901741
INPUT_DEPOSITS	0.64	0.09	7.028484	0.0002***		
BORROWINGS	0.41	0.82	0.494292	0.6362		
Union Bank of India						
C	-76399.69	45956.81	-1.66242	0.1404	0.996397	1.8582
INPUT_DEPOSITS	0.71	0.05	12.92787	0***		
BORROWINGS	1.10	0.47	2.366738	0.0498		
United Bank of India						
C	-2986.70	26476.22	-0.11281	0.9134	0.979017	2.124136
INPUT_DEPOSITS	0.48	0.04	10.86225	0***		
BORROWINGS	3.68	0.94	3.918472	0.0058***		
Andhra Bank						
C	-23804.26	20179.17	-1.17965	0.2767	0.996016	2.148919
INPUT_DEPOSITS	0.70	0.04	17.62025	0***		
BORROWINGS	1.13	0.38	2.947259	0.0215*		
Corporation Bank						
C	-18872.30	26671.48	-0.70758	0.5021	0.994414	2.178802
INPUT_DEPOSITS	0.69	0.03	25.85927	0***		
BORROWINGS	0.45	0.34	1.324347	0.227		
Oriental Bank of Commerce						
C	-32925.56	17075.89	-1.92819	0.0952	0.997894	1.811904
INPUT_DEPOSITS	0.70	0.03	21.10944	0***		

BORROWINGS	0.74	0.84	0.886721	0.4047		
Vijaya Bank						
					1.00	2.02
C	-7538.60	12819.77	-0.59	0.58		
INPUT DEPOSITS	0.63	0.02	25.88	0.00***		
BORROWINGS	1.04	0.28	3.67	0.01*		
Punjab and Sind Bank						
					0.990542	2.112703
C	-24629.93	22502.91	-1.09452	0.31		
INPUT DEPOSITS	0.72	0.02	30.12124	0***		
BORROWINGS	0.684306	0.680383	1.005766	0.348		
State Bank of India						
	-				0.99628	2.280
C	559870.70	208838.80	-2.68088	0.0315		
INPUT DEPOSITS	0.47	0.16	2.9587	0.0211*		
BORROWINGS	3.13	1.19	2.619899	0.0344*		
Canara Bank						
					0.994476	1.992
C	67208.92	56021.04	1.199709	0.2693		
INPUT DEPOSITS	0.67225	0.050344	13.3531	0***		
BORROWINGS	0.147611	0.825916	0.178725	0.8632		

The above analysis evidence whether the loan has significant impact on the deposits and borrowing.

Following equation has been framed from the above output for the purpose of analysis.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \ldots\ldots\ldots\ldots + \beta_n X_n$$

The results of the analysis depict that beta coefficient of Allahabad bank is the high compare to all other nationalize banks. It can also be seen that beta coefficient of all the ba are positive except in the case of Dena bank which has negative beta coefficient with regards to borrowing. Standard error shows the sampling error in the data, that is the error occurs on account of selecting sample rather than population as whole.

From the above table it can be notice that standard error of all the bank is close to zero which is good for the purpose of analysis. It also means results obtain from the study is satisfactory. While studying the impact between the Loan and deposits and borrowing by taking appropriate level of significance (1%, 5% & 10%) is considered base on the p- value. From the above analysis it can be clearly portrayed that there exist a significant impact between the loan and deposit all the banks at 1% level of significance but except in the case of SBI which have impact at 10% level of significance.

Conclusion

The study also concludes that there is significant impact between loan and borrowings of Allahabad bank and United bank of India at 1% level of significance. Study also evidence impact

between loan and borrowing of Bank of Baroda, Bank of Maharashtra, Indian Overseas Bank, Andhra Bank, Vijaya Bank and State Bank of India. Study did not find any evidence of the impact between the loan and borrowings of Bank of India, Central Bank of India, Dena Bank, Indian Bank, Punjab National Bank, Syndicate Bank, UCO Bank, Union Bank of India, Corporation Bank, Oriental Bank of Commerce, Punjab and Sind Bank and Canara Bank. From the above table it can evidence that adjusted R square is close to 1 which mean independent variables explains most of variation in the dependent variable.

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