



OPERATIONS AND PERFORMANCE ANALYSIS OF SCHEDULED COMMERCIAL BANKS

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Abstract :

Scheduled Banks in India refer to those banks which have been included in the Second Schedule of Reserve Bank of India Act, 1934. The Scheduled banks comprise Scheduled Commercial Banks and Scheduled Co-operative banks. During 2018-19, the asset quality of Public and Private sector scheduled commercial banks turned around after a gap of seven years. With a concomitant reduction in provisioning requirements, the banking sector returned to profitability in the first half of 2019-20, while recapitalisation helped public sector banks in shoring up their capital ratios. The Insolvency and Bankruptcy Code gained traction, enhancing resolutions. Furthermore, credit growth revival that began in 2017-18 maintained momentum into 2018-19, led by private sector banks. Notwithstanding these gains, credit growth has turned anaemic in 2019-20 while the overhang of NPAs remains high; further improvements in banking sector hinge around a reversal in macroeconomic conditions. The overall growth of the Public and Private sector scheduled commercial banks taking shape in the year 2018-2019.

Introduction :

Reserve Bank of India (RBI) is the apex body of the Indian Banking sector. It ensures the stability in the monetary system of the country. Since independence, RBI has initiated several measures to improve more access to financial services through financial education,

awareness and technological up gradations in an affordable manner. The performance of the banking sector is supposed to be a crucial economic active of Indian economy. So, the reforms in banking sector are intended to make the banks more efficient. However, the Banking sector is facing alarming challenges like rising in competition, level of Non-Performing Assets and weakening asset quality. These may have a negative impact on the economy of the nation. The year 2018-19 marked a turnaround taking shape in the financial performance of India's commercial banking sector. After seven years of deterioration, the overhang of stressed assets declined, and fresh slippages were arrested. With the concomitant reduction in provisioning requirements, bottom lines improved modestly after prolonged stress and the banking sector returned to profitability after a gap of two years in the first half of 2019-20. Meanwhile, recapitalisation of public sector banks (PSBs) strengthened their capital base and the Insolvency and Bankruptcy Code (IBC) began to gain traction in enhancing resolutions. In this paper analyses the audited balance sheets of the Indian banking sector during 2018-19. Here an evaluation of the financial performance of 94 SCBs and their soundness and address specific themes that assumed importance during the period under review such as the sectoral deployment of credit, capital market interface, ownership patterns, overseas operations of Indian banks, payment system developments, consumer protection and financial inclusion. Developments related to Public and Private sector scheduled commercial banks is analysed. PVBs led the upturn in credit growth. Their share in incremental loans was 69 per cent in 2018-19 commensurate with their share in incremental deposits. Consequently, their share in outstanding credit increased.

Objectives of Study:

- To find out the financial performance of Indian Public and Private sector scheduled commercial banks.
- To know the operations of Indian Public and Private sector scheduled commercial banks.

Research Methodology:

The study of this paper is based on secondary data so the data is collected from financial statements of Public and Private sector scheduled commercial banks year 2018-2019.

Data Analysis :

I) Balance sheet analysis :

Private sector banks (PVBs) account for less than a third of assets of SCBs, they led the expansion in the consolidated balance sheet of SCBs, offsetting the deceleration posted by PSBs. Furthermore, despite the overall improvement in banking performance continuing during the first half of 2019-20, a slowing down of bank credit growth has emerged as an area of concern.

Consolidated Balance sheet of scheduled commercial Banks (Amount in Rs.crore)

Items	Public sector Banks		Private sector Banks	
	2018	2019	2018	2019
Capital	33154	51,060	11,592	21,344
Reserves and Surplus	555840	546066	4,31,966	5,27,665
Deposits	82,62,322	84,86,215	30,13,688	37,70,013
Borrowings	8,47,034	7,61,612	6,88,188	7,75,324
Other Liabilities and Provisions	3,36,551	3,17,985	1,53,488	2,03,591
Total liabilities/assets	1,00,34,901	1,01,62,938	42,98,921	52,97,937
Cash and Balances with RBI	4,48,477	4,55,974	2,40,318	2,06,654
Balances with Banks and Money at Call and Short Notice	3,92,213	3,59,507	1,26,056	1,75,076
Investments	27,91,858	27,02,386	10,11,814	12,19,517
Loans and Advances	56,97,350	59,26,286	26,62,753	33,27,328
Fixed Assets	1,10,041	1,07,318	26,293	36,142
Other Assets	5,94,962	6,11,466	2,31,688	3,33,221

source: Annual accounts of respective banks.

Note :

Components may not add up to their respective totals due to rounding-off numbers to crore. Detailed bank-wise data on annual accounts are collated and published in Statistical Tables Relating to Banks in India, available at <https://www.dbie.rbi.org.in>.

- **Liabilities:**

Deposits, which constituted 83 per cent of the total liabilities of Private and Public SCBs at end-March 2019. The expansion in deposit mobilisation tempered banks' borrowing requirements.

- **Assets:** The revival in the growth of loans and advances – the most significant component in the asset side of the Private and Public SCBs’ balance sheet – that began in 2017-18, maintained momentum into 2018-19.
- **Non-performing Assets :**

The GNPA ratio of all SCBs declined in 2018-19 after rising for seven consecutive years as recognition of bad loans neared completion.

NPAs in the larger borrowal accounts (exposure of 5 crore or more) had contributed 91 per cent of total GNPA in 2017-18 after the Reserve Bank withdrew various Restructuring schemes. In 2018-19, however, SCBs recorded a synchronised decline in all the special mention accounts.

Conclusion :

Private and Public Scheduled Commercial Banks performance are increase with Capital, deposits, Fixed assets and other assets. Although private sector banks (PVBs) account for less than a third of assets of SCBs, they led the expansion in the consolidated balance sheet of SCBs, offsetting the deceleration posted by PSBs. In 2018-19, the consolidated balance sheet of SCBs expanded at an accelerated pace for the first time since 2010-11, buoyed by a pick-up in deposits on the liabilities side and loans and advances on the assets side . The financial performance of SCBs in the period under review was marked by PSBs reporting positive net profits after 3 years in 2019-20.

References:

1. Annual accounts of respective banks.
2. <https://www.dbie.rbi.org.in>.
3. Report on Trend and Progress of Banking in India 2018-19.