

STUDY ON THE GROWTH ASPECTS OF PNB AND SBI: A COMPARATIVE STUDY

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Indian banking industry is not only witnessing, but participating in the developments that are reshaping Indian economy. By the eighties it became clear that in order to respond to new development taking place in Indian economy, banking industry would have to reorient itself to face new challenges. Finance is the life blood of economic activity. The most striking is its extensive reach. It is no longer confined to only metropolitans or cosmopolitans in India. In fact, Indian banking system has reached even to the remote corners of the country. This is one of the main reasons of India's growth process. The government's regular policy for Indian bank since 1969 has paid rich dividends with the nationalization of 14 major private banks of India.

In India the banks are being segregated in different groups. Each group has their own benefits and limitations in operating in India. Each has their own dedicated target market. Few of them only work in rural sector while others in both rural as well as urban. Many even are only catering in cities. Some are of Indian origin and some are foreign players. All these details and many more are discussed over here. The banks and its relation with the customers, their mode of operation, the names of banks under different groups and other such useful information's are talked about.

Punjab National Bank (PNB) was registered on May 19, 1894 under the Indian Companies Act with its office in Anarkali Bazaar Lahore. The Bank, founded by Dyal Singh Majithia and Lala Harkishen Lal, is the second largest government-owned commercial bank in India with about 4,500 branches across 764 cities. It serves over 37 million customers. The bank has been ranked 248th biggest bank in the world by Bankers Almanac, London. Total Business of the bank for financial year 2016 is estimated to be approximately 945526 crore. It has a banking subsidiary in the UK, as well as branches in Hong Kong and Kabul, and representative offices in Almaty, Shanghai, and Dubai.

During the long history of over 121 years of the Bank, 7 banks have merged with PNB and it has become stronger and stronger with a network of 6809 branches and 9669 ATMs as on 30th June'16. Today the Bank stands tall amongst nationalized banks in major financial parameters i.e., Global Business, Domestic Business, Domestic Deposits, Net Advances, CASA Deposits Savings Deposits and Operating Profit.

The Bank has always been in the forefront in partnering the economic as well as social development of the country. The Bank has proactively met its commitments towards social upliftment and financial empowerment of the targeted segments. This is evident from the fact that Ministry of Finance, Government of India, has declared PNB as first among all banks in deposit mobilized through PradhanMantri Jan DhanYojana (PMJDY) accounts. PNB has opened 135 lakh accounts and mobilized Rs 1814 crore as on 30th June'16. The Bank has also issued around 99 lakh RuPay debit cards.

To provide card based transactions services to such customers, Micro ATMs have been introduced at Business Correspondent locations. PNB is the first bank to deploy Micro-ATMs with RuPay, Aadhaar based & other FI Transactions at BC locations.

To spread financial awareness across the length and breadth of the country, the Bank flagged off 'Vitiya Jan Chetna Abhiyan'. This program will also emphasize on creating awareness about the PradhanMantri Jan DhanYojana, Atal Pension Yojana, Mudra Loans, PradhanMantri JeewanJyotiYojana and PradhanMantri Jan SurakshaYojana.

The origin of state Bank of India dates back to 2nd June 1806, when bank of Kolkata was established in Kolkata. On 2nd January 1809, the Bank received its charter and was redesignated as Bank of Bengal. It was the first joint stock Bank of British India sponsored by the Govt. of Bengal. Later on the Bank of Bombay was established on 15th April 1840 and the Bank of Madras on 1st July 1843. The SBI has been pursuing a policy of offering specialized services to specific customer segments through specialized outfits with a view to countering the competition from the private and foreign banks. It has 81 personal banking branches at selected centers. The Bank has so far opened 9 rehabilitation and recovery branches. It has opened a specialized housing finance branch in Chennai, Diamond branch in Mumbai and Leather branch in Chennai. It has total of 21,500 branches. The Bank has a network of 137 overseas offices spread over 32 countries covering all the time zones. The Bank also maintains comprehensive correspondent relationship with 593 top ranking branches in 127 countries. It has 25,000 ATMs and 99345 of-

fices in India. Telebanking offered by the bank free of charge is operative in 301 branches in 18 cities. Over 31000 customers have registered for the service. Internet banking is provided by 501 branches in 97 cities. The special EFT (electronic fund transfer) scheme was launched by the Bank from 01-04-2003 in close coordination with RBI to facilitate efficient and expeditious interbank transfer of funds. 29 branches of the bank are participating in the scheme. The bank has two wholly owned subsidiaries abroad-SBI Canada, SBI California and two joint ventures namely Nepal SBI Bank Ltd and Bank of Bhutan. The other subsidiaries are SBI international Ltd, Mauritius, indovigeria Merchant Bank Ltd. In our valley there are 46 computerized branches of the bank with 10 extension counters. The State Bank Group which has 13,635 branches has computerized all the branches. State Bank Group has 3,900 networked ATMs comprising over 2,800 ATMs of SBI and 1,100 ATMs of the associate banks. Internet banking has been rolled out to 1,100 branches.SBI has five associate banks:

- State bank of Bikaner & Jaipur
- State bank of Hyderabad
- State bank of Mysore
- State bank of Patiala
- State bank of Travancore

In this paper an attempt has been made to study and compare the growth of SBI and PNB. The growth of the selected banks has been studied on the basis of various indicators. The growth of both the Banks are examine on the basis of various indicators like Growth of deposits, Branch expansion, Number of employees, Credit deployment and Borrowings. The secondary data has also been collected from the websites of the selected banks. I also visited various offices of SBI and PNB and consulted many employees and members of the Banks. My personal observations and their views were also used in reaching some conclusions. The data collected has been tabulated and analyzed by using ratio analysis. The period of study is 2011-12 to 2015-16.

Since the era of economic reforms, banking sector has been witnessing numerous changes. The new private sector banks and foreign banks have also introduced number of new innovative products. These banks are also offerings their services through new age distribution channels like ATM, internet banking, phone banking, etc. All these factors have affected the performance of both the public sector banks and private sector banks. A large no of studies have already been conducted in banking sector but these studies have covered period prior to 2006. So the present study is an attempt to analyses and compares the growth and performance of SBI and PNB Bank during the period 2011 to 2016.

The following are main objectives of study:

- To measure the progress of selected banks with regard to number of branches, deposits, advances and borrowings and employment generation.
- To compare the progress of selected banks with regard to number of branches, deposits, advances and borrowings and employment generation.

Due to constraints of time and resources, the study is likely to suffer from certain limitations. Some of these are mentioned here under so that the findings of the study may be understood in a proper perspective. The limitations of the study are:

- The study is based on the secondary data and the limitation of using secondary data may affect the results.
- The secondary data was taken from the annual reports of the banks. It may be possible that the data shown in the annual reports may be window dressed which does not show the actual position of the banks.

The present study has been undertaken to measure and evaluate the performance of two banks. The study covers the period of 5years that is from year 2011-2012 to year 2015-2016. The sample of study takes into account two banks from public sector.

Financial analysis is mainly done in order to judge the growth of the banks but diagnosing the information contained in the financial statements. Financial analysis is done to identify the financial strengths and weaknesses of banks by properly establishing relationship between the items of balance sheet and profit and loss account. It helps in better understanding of banks financial position and growth and performance by analyzing the financial statements with various tools and evaluating the relationship between various elements of financial statements. The term “financial statement analysis” includes both “analysis” and “interpretation”. The term “analysis” is used to mean the generalization of data given in the financial statements by systematic arrangements and classification of data and “interpretation” means ex-

plaining the meaning and significance of the data so simplified. However both analysis and interpretation are interlinked and complimentary to each other. In this paper an attempt has been made to study the growth of both Punjab National Bank and State Bank of India. For analyze the growth of the selected banks under study for the period 2011-2012 to 2015-2016. For this purpose the following parameters have been studied.

1. Growth of deposits
2. Branch expansion
3. Number of employees
4. Credit deployment
5. Borrowings

Deposits serve as the basis for capital formation and facilitate the process of economic development. Deposits are one of the important growth oriented functions of banking industry. In our country the great emphasis has been placed on deposits mobilization by banks. Banks obtain a major amount of their working capital from deposits. Since their lending and profit earning capacities depend upon deposits. The management of banks is always engaged in working out plans and schemes to mobilize deposits. The total deposits depend upon the no. of factors like the monetary policy and deposit mobilization by other commercial banks. The deposits of PNB and SBI banks have been shown in table 1.1.

Table 1.1 Growth in deposits
(Rs. In crores)

Years	PNB	SBI
2011-2012	379588	1043647
2012-2013	391560	1202739
2013-2014	451397	1394408
2014-2015	501379	1576793
2015-2016	553051	1730722

(Source: Compiled from annual reports of both the banks for the period 2011-2012 to 2015-2016)

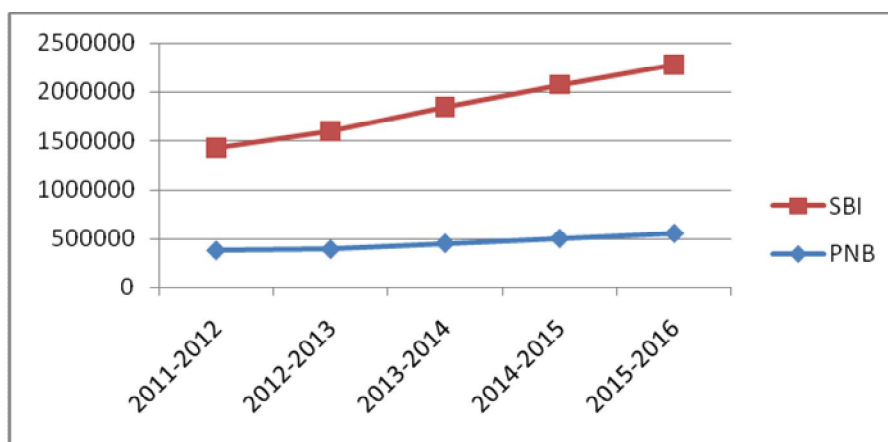


Figure 1.1

Table 1.1 shows that the deposits of PNB have been increased from Rs. 379588 crs. in year 2011-2012 to Rs. 553051 crs in year 2015-16. Further the deposits of SBI have been increased from Rs.1043647crs to Rs.1730722crs. The figure 1.1 shows that both the banks show the rising trend but there are more growth in deposits in SBI as compared to the PNB.

The branch expansion policy seeks to achieve to broad objectives (a) narrowing down regional imbalance and (b) providing banking facilities to rural and neglected areas. The policy mainly emphasize on opening more offices in rural and semi-urban areas and centers which have few or no branches without jeopardizing branch expansion in urban and metropolitan cities. The main emphasis of branch licensing policy is on areas where population per branch is higher than the national average. The number of branches of PNB and SBI bank are given in table 1.2.

**Table 1.2 Growth in number of branches
(In crores)**

Years	PNB	SBI
2011-2012	5675	14097
2012-2013	5874	14816
2013-2014	6201	15869
2014-2015	6560	16333
2015-2016	6740	16784

(Source: Compiled from annual reports of both the banks for the period 2011-2012 to 2015-2016)

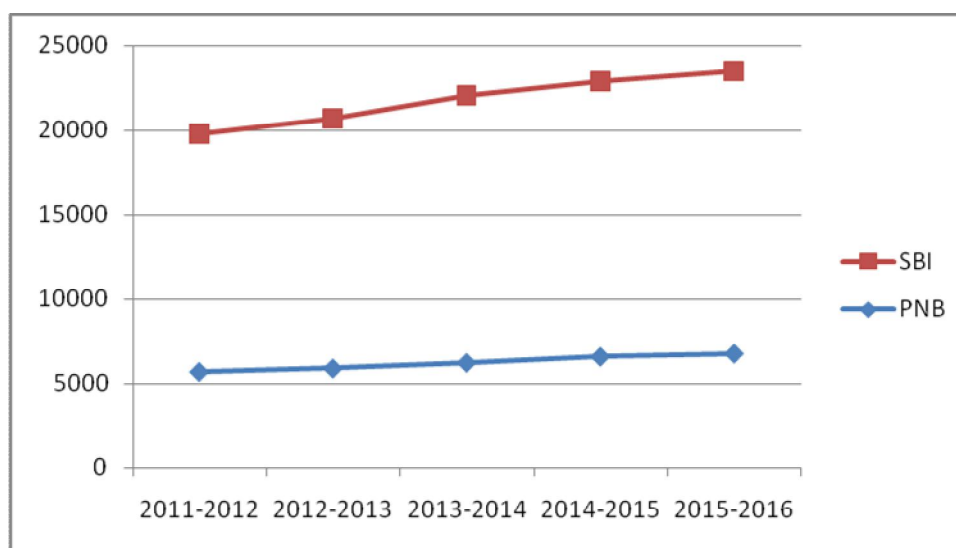


Figure 2.2

Table 1.2 indicates that the number of branches of PNB is increased from 5675 in year 2011-12 to 6740 in year 2015-16. The major growth was in the year 2014 -2015. Further there is uprising trend in case of SBI .It increase from 14097 in years 2011-12 to 16784 in years 2015-16. But the growth in SBI is much higher as compared to PNB.

Unemployment is one of the main problem for a under developed country and developing country. Employment generation is another criterion on which the working of the banks can be evaluated. However employment so generated should improve the business of banks and the quality of service they provide.

Table 1.3 Number of employees

Years	PNB	SBI
2011-2012	62127	215481
2012-2013	63292	228296
2013-2014	65541	222033
2014-2015	68290	213238
2015-2016	70801	207739

(Source: Compiled from annual reports of both the banks for the period 2011-2012 to 2015-2016)

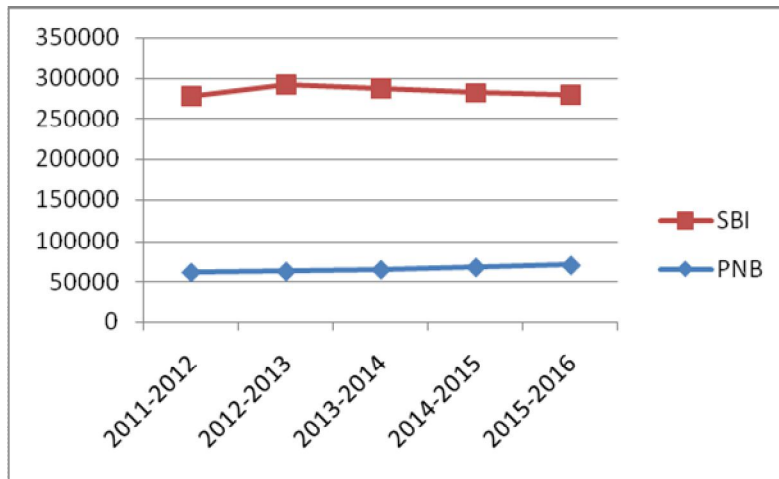


Figure 3.3

Table 1.3 shows that the number of employees in PNB bank increased from 62127 in year 2011-12 to 70801 in year 2015-16. Further in case of SBI there is an increasing trend; the number increased from 215481 in year 2011-12 to 228296 in year 2012-13 and there is a decreasing trend from 222033 in 2013-2014 to 207739 in the year 2015-2016. But the pace of growth is too much high as compared to PNB. This too much growth in number of employees in SBI leads to a decrease in productivity because there is no much increase in profits and business according to the growth in number of employees.

Lending or advancing loan is one of the main functions of all the banks. A bank provides loan directly or indirectly. Lending is done on the basis of funds raised by accepting deposits from the public. Advances provide income to the banks in a form of interest and discount on the one hand and promote economic development of the country by meeting financial needs of industries and commercial establishment on the other hand. Credit deployment of both the banks is shown in table 1.4

Table 1.4 Credit deployments
(Amt. in crores)

Years	PNB	SBI
2011-2012	293775	867579
2012-2013	308725	1045616
2013-2014	349269	1209829
2014-2015	380534	1300026
2015-2016	412326	1463700

(Source: Compiled from annual reports of both the banks for the period 2011-2012 to 2015-2016)

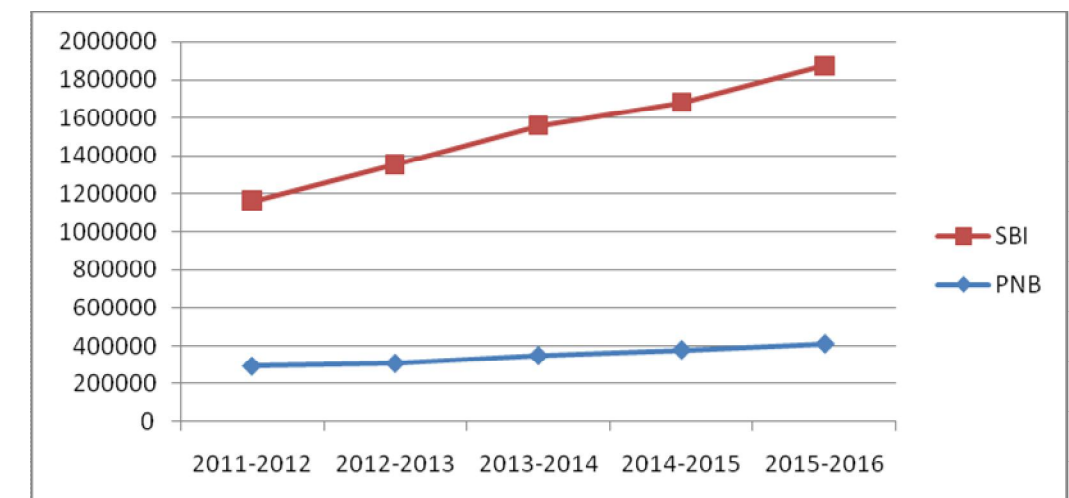


Figure 4.4

Table 1.4 depicts that the total advances of PNB bank has been increased Rs.293775 crs in year 2011 to Rs.412326 crs in year 2016. Further in case of SBI the advances are increased from Rs 867579 crs in year 2011 to Rs 1463700 crs in year 2016. It is cleared that the growth rate of SBI is more as compared to PNB. But both the show a rising trend in advances.

Borrowings are the amount that the general public deposits in the banks in their accounts. Banks use these deposits as their resources to advance money to the borrowers with the help of cash credit. Growth in borrowings of the PNB bank and SBI has been shown in table 1.5.

**Table 1.5 Borrowings
(Amt in crores)**

Years	PNB	SBI
2011-2012	37264	127006
2012-2013	39621	169183
2013-2014	48034	183131
2014-2015	45670	205150
2015-2016	59755	224190

(Source: Compiled from annual reports of both the banks for the period 2011-2012 to 2015-2016)

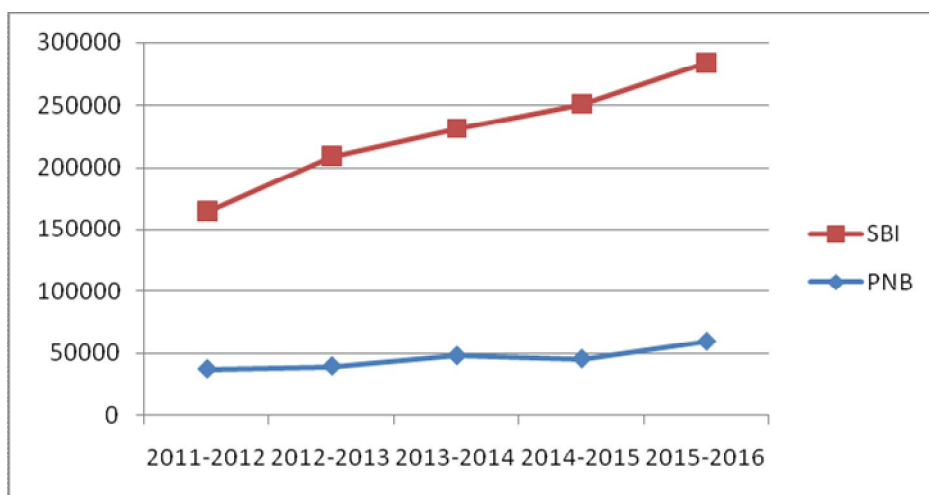


Figure 5.5

Table 1.5 depicts that the borrowings of PNB are increased from Rs.37264crs in year 2011-12 to Rs. 59755 crs in year 2015-16. Further in case of SBI the borrowings are increased from Rs.127006 crs in 2011-12 to Rs. 224190 crs in year 2015-16.

Growth of Punjab national bank and state bank of India

1. Deposits of PNB have been increased from Rs. 379588 crs. in year 2011-2012 to Rs. 553051 crs in year 2015-16. Further the deposits of SBI have been increased from Rs.1043647 crs to Rs.1730722crs. Both the banks show the rising trend but there are more growth in deposits in SBI as compared to the PNB.

2. The number of branches of PNB is increased from 5675 in year 2011-12 to 6740 in year 2015-16. The major growth was in the year 2014 -2015. Further there is uprising trend in case of SBI .It increase from 14097 in years 2011-12 to 16784 in years 2015-16. But the growth in SBI is much higher as compared to PNB.

3. The number of employees in PNB bank Increased from 62127 in year 2011-12 to 70801 in year 2015-16 . Further in case of SBI there is an increasing trend the number increase from 215481 in year 2011-12 to 228296 in year 2012-13 and there is decreasing trend from 222033 in 2013-2014 to 207739 in the year 2015-2016 . But the pace of growth is too much high as compared to PNB. This too

much growth in number of employees in SBI leads to decrease in productivity because there is no much increase in profits and business according to the growth in number of employees.

4. The total advances of PNB bank have been increased Rs.293775 crs in year 2011 to Rs.412326 crs in year 2016. Further in case of SBI the advances are increased from Rs 867579 crs in year 2011 to Rs 1463700 crs in year 2016. It is cleared that the growth rate of SBI is more as compared to PNB. But both the show a rising trend in advances.

5. The borrowings of PNB are increased from Rs.37264crs in year 2011-12 to Rs. 59755 crs in year 2015-16. Further in case of SBI the borrowings are increased from Rs.127006 crs in 2011-12 to Rs. 224190 crs in year 2015-16.

The following are basic conclusion from the study:

The selected banks have shown growth in terms of deposits, number of branches, employees, credit deployment and borrowings. But the growth of SBI bank is higher as compared to PNB bank. For the past three decades India's banking system has several outstanding achievements to its credit. The most striking is its extensive reach. It is no longer confined to only metropolitans or cosmopolitans in India. In fact, Indian banking system has reached even to the remote corners of the country. This is one of the main reasons of India's growth process. So a public sector bank plays a crucial role in the economy.

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FINANCIAL ANALYSIS OF PRE AND POST - MERGER OF HDFC BANK WITH CBOP

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Mergers and Acquisitions have gained substantial importance in the present day Corporate World as it is one of the best processes of Capital Restructuring. Restructuring usually means major alterations and modifications in the corporate strategies and beliefs. This strategic alliance is adopted with an aim of getting a competitive edge over competitors, eventually creating a new economic paradigm. The increasing popularity of mergers can be attributed to breaking of trade barriers and high-end competition. This expansion is either done through absorption or consolidation. The present case is also one such example of consolidation. This type of set up was a horizontal merger and was mainly taken up to meet the competition from foreign banks, Policies of Government of India, Inflation, gaining synergy etc.

The Merger between HDFC & CBOP Bank was one of the biggest in Indian Banking Sector. It proved beneficial in taking CBOP out of financial crises and financially strengthened HDFC. Therefore, through our research, we tried to study reasons behind the merger and its effect on financial position of HDFC Bank.

This study is restricted to merger between HDFC Bank and Centurion Bank of Punjab. The Pre-Merger and Post-Merger financial ratios have been compared for 5 years before the merger and 5 years after the merger.

Objectives of the Study: