Performance Indicators And Progress Of Indian Commercial Banks

P.Thanigaivalen [1], Dr.M.Vidya [2]

[1] *Part Time Ph.D. Research Scholar, Department of Management Science, Sri Krishna Arts and Science College, Coimbatore (Affiliated to Bharathiar University) pthanigaivalen@gmail.com*

[2] *Assistant Professor, Department of Management Science, Sri Krishna Arts and Science College, Coimbatore (Affiliated to Bharathiar University) vidyam@skasc.ac.in*

Abstract

The impact of financial markets on the improvement of banks is reflected in changes in he impact of financial markets on the improvement of banks is reflected in changes in trend indicators, namely return on assets (ROA), capital ratio/risk-weighted assets (CRAR) and non-performing assets (NPA)), capital adequacy ratio (CAR), also known as the ratio of capital to risk-weighted assets (CRAR), is a measure of the capital of any bank. That is expressed as a percentage of the bank's risk-weighted credit expenditure. This article attempts to analyze the performance indicators of Indian commercial banks with the help of capital adequacy ratio, credit deposit ratio, investment deposit ratio and cash deposit ratio. Use correlation, T-test, analysis of variance, and regression models to analyze secondary data collected from various reports. Therefore, it is observed that nationalized banks perform well in terms of capital adequacy ratios, and the consistency of improvements in programmatic commercial banks is good. It is concluded that the capital adequacy ratios of different types of banks in India are due to the value of P in all cases. Less than 0.05, so they are different from each other. The performance of Indian commercial banks is measured by credit deposit index, investment deposit index and cash deposit index, from 2005 to 2020. The analysis shows that the growth rate of the credit deposit rate is higher than the investment deposit rate and the cash deposit rate. As a service industry, the banking industry has a clear functional mechanism to ensure fairness and satisfaction of bank users. Banks must take appropriate measures to ensure their own financial soundness and benefit society.

Keywords: Banks, Capital Adequacy Ratio, Cash Deposit Ratio, Credit Deposit Ratio, Investment Deposit Ratio

Introduction

Globalization, monetary deregulation and development in era had a profound impact at the monetary panorama in gift situation. These trends have intensified opposition and ended in monetary engineering thru product innovation and commercial enterprise strategies. While marketplace members have now extra scope to diversify chance and manipulate it efficiently, this has additionally posed new dangers and demanding situations to the monetary gadget. Growth of monetary corporations throughout exclusive commercial enterprise traces and throughout country wide barriers has made the venture of designing suitable regulations greater challenging. Regulatory and supervisory regulations are, therefore, continuously assessed concerning their talents to fulfill the demanding situations of containing systematic chance within side the monetary gadget. The principal mission for the supervisory government has been to preserve monetary balance with out curbing the inducement to innovate. While the Indian banking region has drastically grows in length within side the current years, its soundness has in large part been maintained even for the duration of monetary disaster. The effect of sub-top disaster on banks became nearly negligible because of restrained publicity to poisonous belongings because of the counter-cyclical prudential norms prescribed with the aid of using the Reserve Bank. The effect of monetary marketplace trends on banks is pondered with the aid of using the tendencies of their diverse soundness signs, namely, Return on Asset (ROA), Capital to Risk Weighted Assets Ratio (CRAR) and Non-Performing Assets (NPAs). Some of those fundamental soundness signs

of the banking gadget confirmed enormous resilience even for the duration of the instances of the disaster. The Returns on Advances and Investments moved in contrary guidelines for the duration of stages of growing and failing hobby rates. As a result, banks may want to earn a strong ROA in a risky marketplace surroundings with the aid of using making suitable modifications to their portfolios, whilst making sure sound asset fine and excessive stages of CRAR. The strong overall performance and sound fitness of the Indian baking gadget, however, does now no longer avoid crucial projects that want to be taken in an effort to similarly growth operational performance of banks. There is likewise a want to reinforce the counter-cyclical prudential regulatory framework and step up capital adequacy to fulfill foreseen dangers emanating from trends within side the monetary markets.

Objectives

1. To overview the Bank's Deposit Growth Rate in Post

   COVID 19 among Various Countries

2. To analyse some of the performance indicators of Indian

   Commercial Banks

3. To study about the trends of financial indicators.

Methodology

For the study, Researcher used various tools like Mean, Stand Deviation, "t" Test, ANOVA to test the hypothesis made. Many sources were collected through different Bank Websites, annual statements and various reports issued by bankers.

Capital Adequacy Ratio

Major overall performance signs suggesting that the Indian Banking gadget has withstood the strain of world economic turmoil are that the CRAR need to be improved. Capital to Risk (Weighted) Assets Ratio (CRAR) is a Ratio which is the ratio of a financial institution's capital to its risk. The banking regulator tracks a financial institution's CAR to make sure that the financial institution can take in an inexpensive quantity of loss and complies with statutory Capital requirements. Higher CRAR shows a financial institution is higher capitalized. The Capital to risk-weighted property ratio is arrived via way of means of dividing the capital of the financial institution with aggregated risk-weighted property like credit score risk, marketplace risk, and operational risk. The better the CRAR of a financial institution the higher capitalized it is.

The capital to risk-weighted property ratio is calculated via way of means of including a financial institution's tier 1 capital and tier 2 capitals and dividing the overall via way of means of its general risk-weighted property. That is

Tier 1 CRAR =(Eligible Tier 1 capital funds)= (Credit Risk RWA + Market Risk RWA + Operational Risk RWA)

Total CRAR= (Eligible Total capital funds)÷ (Credit Risk RWA + Market Risk RWA + Operational Risk RWA).

Table 1. Statistical Test for Difference in Mean

|	Mean of deposit growth (Std. Error)		t-stat	p-value
1. Internet Search	Low 5.0(0.82)	High 7.59(1.1)	-1.99	0.04
2. Country Type	AE 9.0 (0.69)	EME 2.5 (1.09)	4.96	0.00
3. Cash Intensity	Low 5.2 (1.04)	High 6.9 (0.95)	-1.12	0.26
4. Financial Soundness	Low 5.4 (0.99)	High 7.5 (0.87)	-1.74	0.09
5. Stringency	Low 7.1 (0.89)	High 5.4 (0.97)	1.36	0.17
6. Economic Support	Low 4.6 (1.14)	High 9.1 (0.89)	-3.04	0.00

Note: Category low/high were decided on the basis of cross-sectional median.

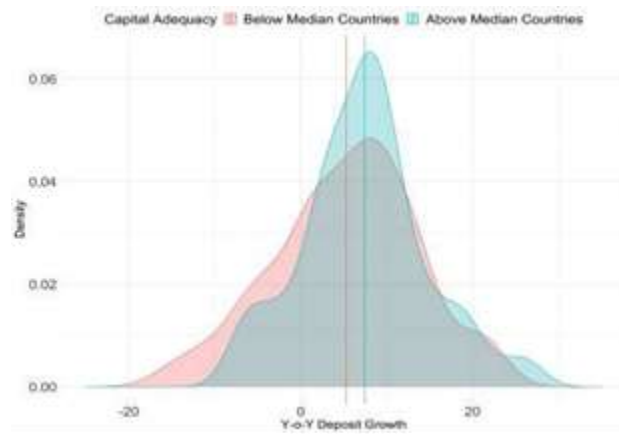**Data sources**: CEIC, BIS, Google Trends, Authors' calculations

Chart 1 : Deposit Growth Rate in the Post COVID-19 Period: Country Characteristics

a) By Cash Intensity (Currency a) By Cash Intensity

(Currency in circulation to GDP ratio)
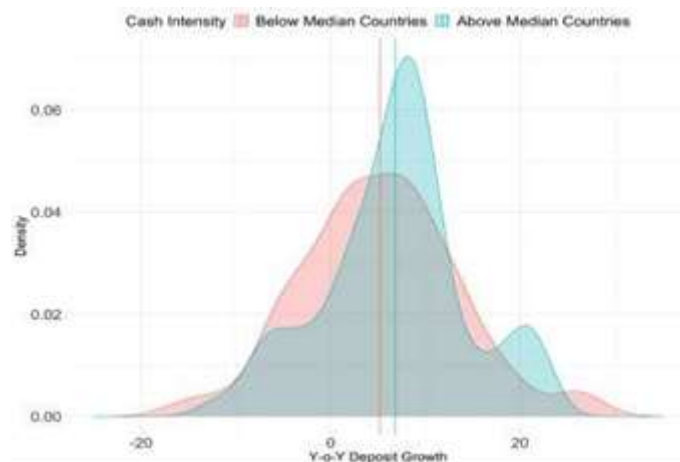
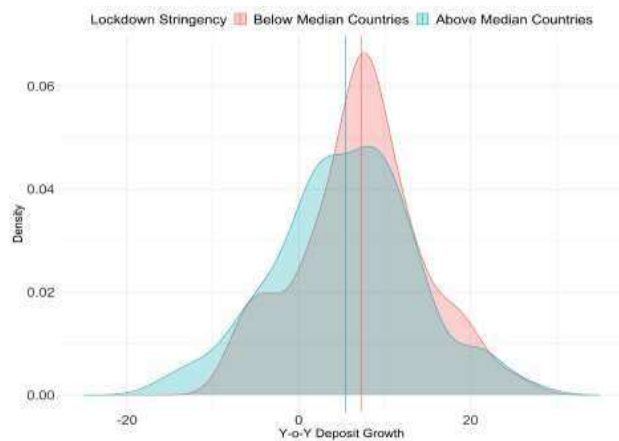
b) By Financial Soundness (CRAR)

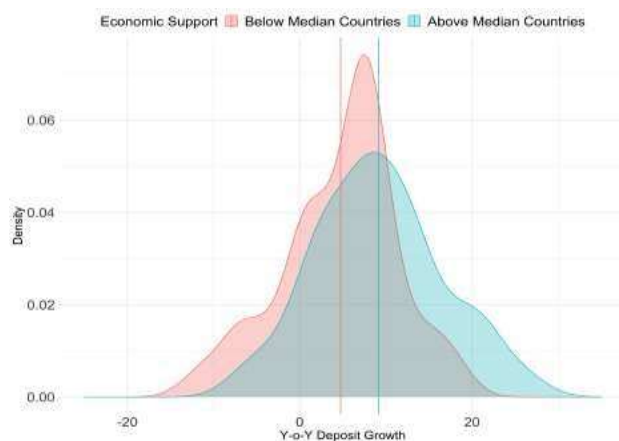**Source:** CEIC, BIS, IMF, Authors' calculations

Chart 2: Deposit Growth Rate in the Post COVID-19

Period: Policy Response to Pandemic

a) By Lockdown Stringency

b) By Economic Support

Source: CEIC, Oxford Policy Tracker, Authors' calculations.

While no significant distinction in deposit boom is discovered among international locations on the idea in their coins intensity, people with higher capitalized banking structures discovered a better boom charge of deposits than peers (Chart 4a and b). No statistical distinction is discovered in deposit boom in international locations which carried out extraordinarily stringent lockdown measures as opposed to the

greater lenient ones (Chart 5a). Interestingly, however, international locations which supplied better monetary assist programs in reaction to COVID-19 discovered a statistically extensive better boom charge in financial institution deposits (Chart 5b).

Summing up, those findings may also propose that economies with higher social protection nets ought to assist their residents in saving for precautionary purposes. The findings additionally underscore the want for more potent and well-capitalised banking structures within side the face of black swan activities consisting of the pandemic.

Chart 3: Capital to Risk-Weighted Assets Ratio

a. Advanced Economies
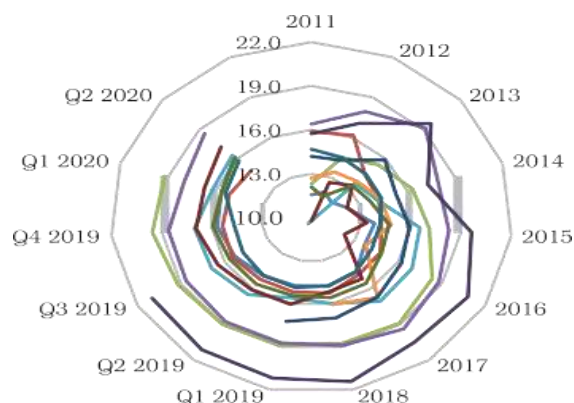
b. Emerging Economies
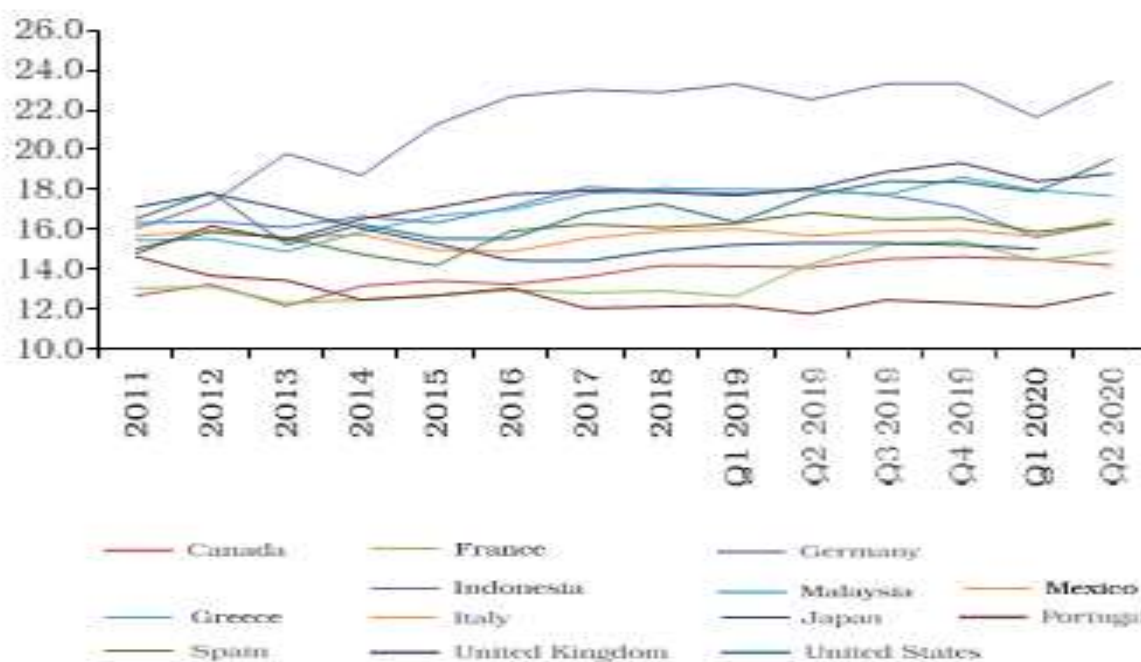
Source: Financial Soundness Indicators, IMF.

Capital Adequacy

There Has been consistent progress in the implementation of Basel III norms throughout jurisdictions, albeit at various speeds. Banks throughout systemic AEs and EMEs remained properly capitalized (Chart 3 - a and b).

Except for Brazil, banks throughout important EMEs advanced their capital adequacy in 2019. Banks   in Indonesia endured to preserve the very best CRAR. Chinese banks reinforced their capital positions, mainly the small and medium sized ones. The capital adequacy of Russian banks advanced in 2019, aleven though they remained the bottom amongst EMEs. The CRARs of banks in India advanced at the lower back of capital infusion in public region banks via way of means of the Government and capital elevating efforts via way of means of personal region banks.

The international banking device weathered the pandemic at the lower back of more potent capital and liquidity positions than that they'd whilst the worldwide economic disaster hit. Banks throughout superior and rising economies advanced their capital positions withinside the 2d sector of 2020, after a decline withinside the preceding sector. Going forward, however, the pandemic is predicted to pose pressures at the capital and liquidity buffers

Leverage Ratio

The leverage ratio generally improved across the banking system both in AEs and EMEs in 2019, a phenomenon observed since 2010, driven by the Basel III regulatory requirements. Banks have maintained the leverage ratio well- above the minimum of 3 per cent under the Basel III norms. While banks in the US and Greece maintained the leverage ratio above 11 per cent, banks in Indonesia have sustained it above 15 per cent for the past three years (Chart 4 - a and b). Banks' leverage ratios generally declined across advanced and emerging economies in the first half of 2020

Chart 4: Leverage Ratio
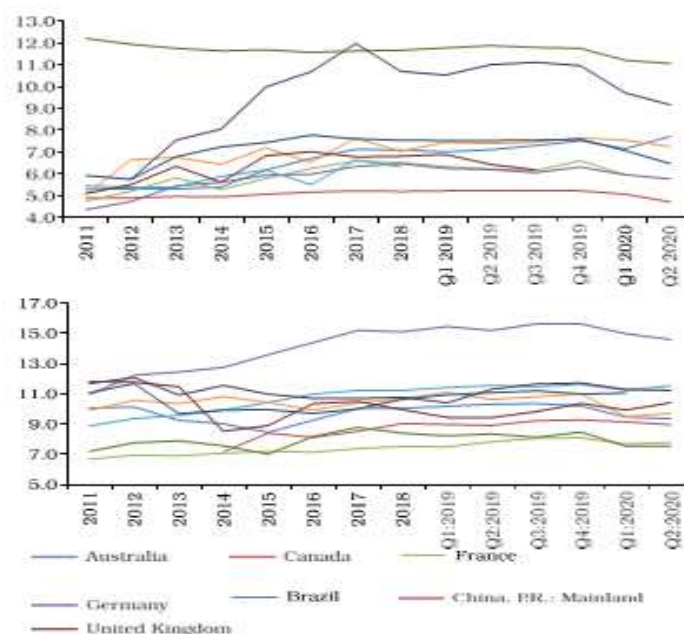
Source: Financial Soundness Indicators, IMF.

Asset Quality

Asset high-satisfactory normally advanced throughout banks in principal AEs in 2019 (Chart 5a)Significantly, the non-appearing loans (NPL) ratios eased withinside the peripheral economies of the Euro-zone, viz., Greece and Portugal in particular via institutional and authorities intervention. In the wake of pandemic, asset quality deteriorated in Australia, Canada and the UnitedStatesinthefirsthalfof2020. The asset high-satisfactory of the EMEs' banking machine confirmed a combined picture (Chart 5b). The asset quality of

Russian banks, for instance, worsened in 2018 and early 2019 due tofragile financial situations and sanctions, however has advanced subsequently. Banks in South Africa and Turkey, however, skilled deterioration in asset quality as financial conditions weakened. Inthefirsthalfof2020, Brazil, India and Turkey advanced their asset quality.

Going forward, the effect of the pandemic on asset high-satisfactory of the banks remains unclear, given the popularity standstills, nonetheless operational in lots of countries. While the gathered capital buffers can also additionally assist banks in dealing with pandemic associated adversities, it's far crucial that stress on the banks' balance sheet is transparently recognized.

Chart 5: Gross Non-Performing

Loans Ratio
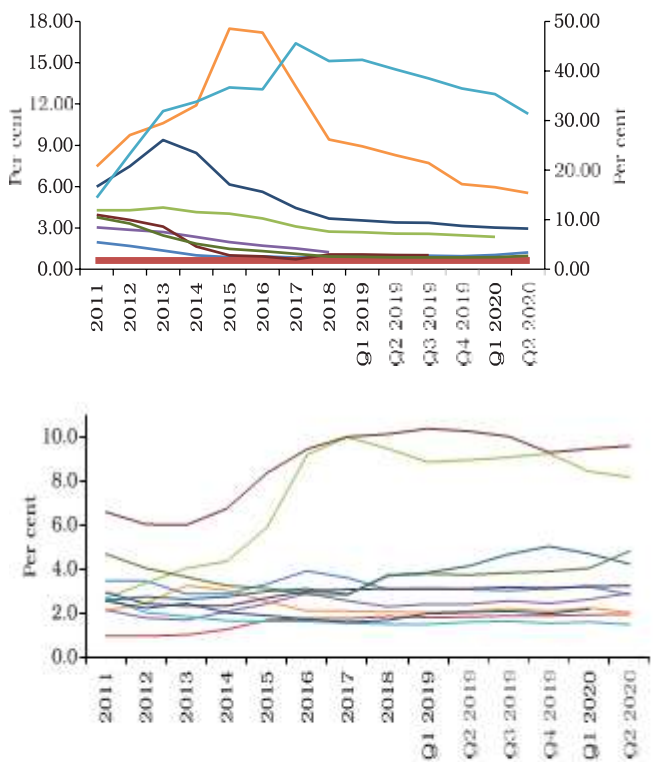
Source: Financial Soundness Indicators, IMF.

Source: Financial Soundness Indicators, IMF.

Table 2 : Capital Adequacy Ratio of Indian Banks

Year	SCB		PSB		NSB	
	%	Trend	%	Trend	%	Trend
2011	14.2	100	13.1	100	13.5	100
2012	14.2	105	13.2	107	13.4	107
2013	13.9	110	12.4	109	13.0	125

2014	13.0	113	19.0	104	17.5	165
2015	13.0	113	19.0	104	17.0	174
2016	13.0	112	18.0	103	21.0	170
2017	13.0	114	17.0	103	20.0	168
2018	14.2	111	18.0	102	19.0	164
2019	14.3	110	17.0	102	19.0	170
2020	11.2	107	12.0	100	13.0	145
Avg.	12.64	110	13.02	112	13.03	126
S.D	0.96		2.36		2.93	
r	0.81		0.73		0.85	
r^2	0.66		0.53		0.72	

Sources : Compiled from Various Trend and Progress of Banking, Various issues

It is seen from the above table that on an average the Scheduled Commercial Banks were able to generate a capital adequacy ratio of 12.64 percent as against 13.02 percent for Public Sector Banks and 13.03 percent for Nationalised Banks. The average growth rate from 2011 to 2020 show that there is an increase of 10 percent for Scheduled Commercial Banks, 12 percent for Public Sector Banks, and 26 percent for Nationalised Banks. The standard deviation is high for Nationalised Banks (2.93) which is closely followed by Public Sector Banks (2.36) and Scheduled Commercial Banks (0.96). The correlation over the years is found to be positive and high in case of Nationalised Banks (0.85), Scheduled Commercial Banks (0.81) and Public Sector Banks (0.73). Hence it is noted that the performance of Nationalised Banks is good as far as the Capital Adequacy rate is concerned and the consistency of improvement is good in Scheduled Commercial Banks.

H$_o$: The Capital Adequacy Ratio of Indian Commercial Banks do not differ significantly

Table 3 : Test of Significance for Capital Adequacy Ratio

Banks	Mean	Std. Deviation	t	Sig. (2-tailed)	95% Confidence Interval of the Difference	
					Lower	Upper
SCB	12.63	.95	53.98	.000	12.1291	13.1215
PSB	13.03	2.35	22.74	.000	11.8098	14.2382
NB	13.02	2.92	18.33	.000	11.5233	14.5358

Source: Derived

As per t test it is noted that though the growth is significant for all the three Indian banking sectors, individually Scheduled Commercial Banks is significant for all the three Indian banking is highly significant (53.98) which is followed by Public Sector Banks (22.74) and then Nationalised Banks (18.33). The mean for the Nationalised Banks is high (13.03), Public Sector Banks (13.02) and Scheduled Commercial Banks (12.63). The standard deviation is low for Scheduled Commercial Banks and is high for Nationalised Banks. The difference between lower and upper level is more in Nationalised Banks (3.01) and is low for Scheduled Commercial Banks (0.99). Hence it is concluded that the Capital Adequacy Ratio of the different category of Banks in India differ each other as the p value is less than 0.05 in all the cases.

Table 4 : Performance Indicators of Indian Commercial Banks

Year	Credit Deposit Ratio	Trend %	Investment Deposit Ratio	Trend %	Cash Deposit Ratio	Trend %
2011	53.5	100	40	100	8.4	100
2012	53.8	101	30.3	104	7.1	85
2013	56.9	106	30.4	111	6.3	75
2014	55.9	104	30.4	127	7.2	86
2015	62.6	117	30.8	108	6.4	80
2016	75.7	138	28.8	78	5.6	67
2017	78	146	29.4	79	6.1	73
2018	77.8	145	28.8	78	5.6	67
2019	77.6	145	28.3	76	5.4	64
2020	73	136	29.2	79	5.6	67
Avg.	68	128	34	93	7	80
r	0.89		-0.77		-0.64	

Source: Compiled

The analysis shows that the growth rate is more on Credit Deposit Ratio than Investment Deposit Ratio and Cash Deposit Ratio. The average growth rate indicates that Credit Deposit Ratio is having a growth rate of 28 percent, Investment Deposit Ratio lowered by 7 percent while the Cash Deposit Ratio has a declining growth rate of 20 percent. The correlation is also high for Credit Deposit Ratio (0.89), negative for Investment Deposit Ratio (-0.77) and negative for Cash Deposit Ratio (-0.64).

Ho: The Performance Indicators of Indian Commercial Banks do not differ significantly

Table 5 : T test for the Performance Indicators of Indian Commercial Banks

Variables	Mean	Std. Deviation	t	Sig. (2-tailed)	95% Confidence Interval of the Difference	
					Lower	Upper
Credit Deposit Ratio	68.49	9.22	28.76	0.000	63.38	73.59
Investment Deposit Ratio	34.39	6.53	20.39	0.000	30.77	38.00
Cash Deposit Ratio	6.74	0.94	27.90	0.000	6.22	7.26

Source: Derived

As per t test it is noted that though the growth is significant for all the three ratios, individually Credit Deposit Ratio is highly significant (28.76) which is followed by Cash Deposit Ratio (27.90) and then Investment Deposit Ratio (20.39). The mean for the Credit Deposit Ratio is high (6849), Investment Deposit Ratio (34.39) and Cash Deposit Ratio (6.74). The difference between lower and upper level is more in Credit Deposit Ratio (10.21), Investment Deposit Ratio (7.23) and Cash Deposit Ratio (1.04). Hence it is concluded that the Performance Indicators of Commercial Banks in India differ each other.

Table 6: One Way ANOVA for the Performance Indicators of Indian Commercial Banks

Model	Sum of Squares	df	Mean Square	f	Sig.
Regression	256.79	3	85.26	40.42	0.000
Residual	23.21	11	2.13		

Total	280.00	14			

Source: Derived

As per one way ANOVA test, it is indicated that there is highly significant difference among the Performance Indicators of Commercial Banks in India over the years under study from 2001- 2015. The value of F ratio is 40.42 with the p value as .000 signifying a high significance. Hence, it is concluded that the significance is highly ascertained over the years from 2011 to 2020

Table 7 : Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.958	0.917	0.894	1.45

Source: Derived

As per model summary, it is noted that there is perfect positive correlation and the coefficient of correlation determination (R2) is .917 which has the explained variance of 91.7 percent which is highly significant with the Standard Error of the Estimate is 1.45.

Conclusion

The impact of financial market development on banks is reflected in the trend of changes in their various robust indicators, namely the capital risk-weighted asset ratio (CRAR), return on assets (ROA) and assets. doubtful (NPA). . This article attempts to analyze the differences in capital adequacy ratios of different types of banks in India, because the p-value is less than 0.05 in all cases. The conclusion drawn from the analysis of is that the growth rate of the credit deposit rate is higher than the investment deposit rate and the cash deposit rate. According to the t test, although the growth of the three indices is significant, the credit deposit index alone is very significant (28.76), followed by the cash deposit index (27.90) and then the investment deposit index (20.39). The F ratio is 40.42 and the p-value is 0.000, indicating high significance. According to the summary of the model, it is observed that there is a perfect positive correlation, the correlation coefficient of determination (R 2) is 0.917, the explained variance is 91.7%, and the highly significant estimation error from the standard is 1.45. Since the banking industry is a service industry, a clear functional mechanism is very important to ensure the fairness and satisfaction of bank users. Therefore, banks must take appropriate measures to ensure their financial stability and benefit society..

References

Annual Reports of Banking Ombudsman Scheme, Reserve Bank of India, various issues.

Basic Statistical Returns of Scheduled Commercial Banks in India, Reserve Bank of India, various issues.

Chakrabarty K. C. (2011), "Gearing up for the Competitive Impulse of the Indian Banking in its Defining Decade", BANCON 2011, Chennai.

Goyal, K. A. and Joshi, V (2011), "A Study of Social and Ethical Issues in Banking Industry". International Journal of Economics & Research, 2011

Report on Trend and Progress of Banking in India, 2020

Reserve Bank of India Annual Reports.

Reserve Bank of India Bulletins.

Reserve Bank of India Publication (2008)

Basic Statistical Returns of Scheduled Commercial Banks. Statistical Tables relating to Banks in India, Reserve Bank of India, various issues.

https://rbi.org.in/scripts/PublicationsView.aspx?Id=20268.

Authors Profile

P.Thanigaivalen presently working as a Assistant Professor in the Department of Business Administration at JHA Agarsen College and   A Part Time Ph.D Research Scholar in the Department of Management science at Sri Krishna Arts and Science College. Academic qualification of M.Com, MBA, M,Phil (Mgt.).Presented 5 papers at various national and international level seminars and conferences.

Dr. M. Vidya is presently working as Assistant Professor in the Department of Management Science at Sri Krishna Arts and Science College with 8 years of teaching experience. She has done her Doctorate Degree in the field of Online Shopping and her area of expertise is Marketing and Human Resource Management. Adding credit to her qualification she has completed National Eligibility Test (NET) and State Level Eligibility Test (SLET) in Management. She holds Life Membership in ISTE. She had presented 25 papers at various national and International level seminars and conferences. Her 14 papers are published in national and international journals. She is at present guiding two Part time scholars in Ph.D. under her guidance. Being a resource person and delivered talks on career guidance, Personality development, Morale and stress thereby getting good feedback from the participants.