

# A Study on the Growth Aspects of PNB and SBI: A Comparative Study

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## Abstract

To study about growth aspects two banks PNB and SBI have been taken from public sector. The purpose of study is to examine the growth aspects of both the banks and also compare the growth of the same. For this, data has been taken from various publications such as annual books. The study is based on the data from period 2008-09 to 2013-14. The study found that the growth of SBI bank is higher as compared to PNB.

**Keywords:** *State Bank of India, Punjab National Bank, Nationalization, Banking, Dividend*

## 1. Introduction

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.

## 2. Banks In 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.

## 3. PNB Bank Introduction

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 2007 is estimated to be approximately US\$60 billion. 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.

Since 1969, when we became a public sector bank, we have managed to continue to grow our business while maintaining a strong balance sheet. As of September 30, 2004, our total deposits represented 85.9% of our total liabilities. On average, interest free demand deposits and low interest savings deposits represented 43.8% of these deposits in the first six months of fiscal 2005. These low-cost deposits led to an average cost of funds excluding equity for the first six months of fiscal 2005 of 4.7%. As of September 30, 2004, our gross and net non-performing assets constituted 7.65% and 0.30% of our gross and net advances, respectively. In fiscal 2004 our total income was Rs. 96.5 billion and our net profit was Rs. 11.1 billion before adjustment and Rs. 10.6 billion after adjustment as part of the restatement of our financial statements for this Issue. In the first six months of fiscal 2005 our total income was Rs. 51.9 billion and our net profit was Rs. 7.4 billion. Between fiscal 2002 and 2004, our total income grew at a compound annual rate of 12.5%, our unadjusted and adjusted net profit grew at a compound annual rate of 40.4% and 37.4%, respectively, and our total deposits and total advances grew at a compound annual growth rate of 17.1% and 17.2%, respectively.

#### 4. SBI Bank Introduction

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 offices 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, Indovigera 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

#### 5. Research Methodology

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 examined 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 2005-06 to 2011-12.

#### 6. Need of the Study

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 offering 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 analyse and compare the growth and performance of SBI and PNB Bank during the period 2006 to 2012.

#### OBJECTIVES OF THE STUDY:

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.

#### 7. Limitation of the Study

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.

### Scope of the Study

The present study has been undertaken to measure and evaluate the performance of two banks. The study covers the period of 6years that is from year 2008-2009 to year 2013-2014. The sample of study takes into account two banks from public sector.

### 8. Growth of PNB And State Bank Of India

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 explaining 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 2006-2007 to 2011-2012. 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

### 9. Deposits

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
2008-2009	209761	742073
2009-2010	249330	804116
2010-2011	312899	933933
2011-2012	379588	1043647
2012-2013	391560	1202740
2013-2014	451397	1394409

(Source: Compiled from annual reports of both the banks for the period 2008-2009 to 2013-2014)

**Figure 1.1**

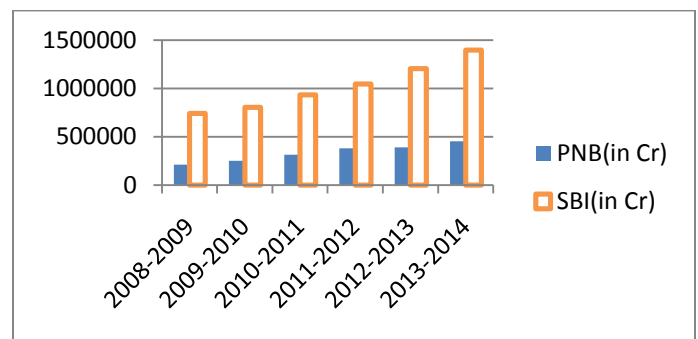


Table 1.1 shows that the deposits of PNB have been increased from Rs.209761 crs. in year 2008-09 to Rs. 451397 crs in year 2031-14. Further the deposits of SBI have been increased from Rs.742073 crs to Rs.1394409

crs. 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.

### 10. Number of Branches

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**

Years	PNB	SBI
2008-2009	4668	11448
2009-2010	5002	12496
2010-2011	5194	13542
2011-2012	5675	14097
2012-2013	5874	14816
2013-2014	6201	15,869

(Source: Compiled from annual reports of both the banks for the period 2008-2009 to 2013-2014)

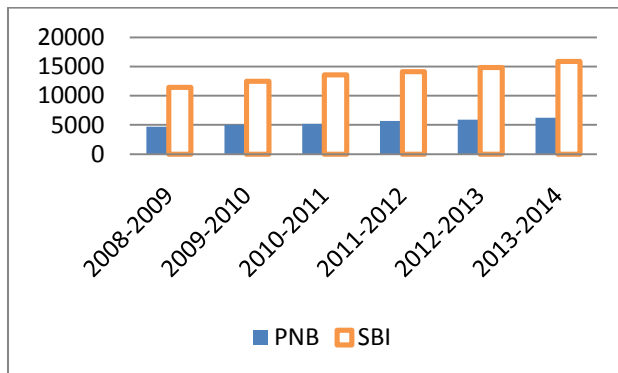


Table 1.2 indicates that the number of branches of PNB is increased from 4668 in year 2008-09 to 6201 in year 2013-14 the major growth was in the year 2011 -2012. Further there is uprising trend in case of SBI .It increase from 11448 in years 2008-09 to 15869 in years 2013-14.

But the growth in SBI is much higher as compared to PNB.

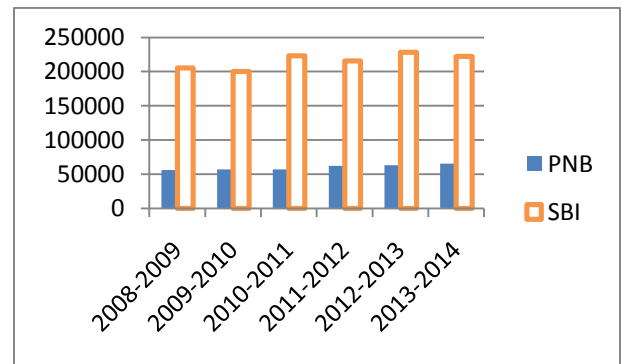
### 11. Number of Employees

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
2008-2009	56025	205296
2009-2010	56928	200299
2010-2011	57020	222933
2011-2012	62127	215481
2012-2013	63292	228296
2013-2014	65541	222033

(Source: Compiled from annual reports of both the banks for the period 2008-2009 to 2013-2014)



**Figure 2.3**

Table 1.3 shows that the number of employees in PNB bank increased from 56025 in year 2008 to 65541 in year 2013-14. Further in case of SBI there is an decreasing trend the number from 205296 in year 2008-09 to 2002990 in year 2009-2010 and increased 222933 in year 2010-11 and slightly decreased in year 2011-12 is 215481 and tells increasing trend in the year 2012-13 is 228296 and slightly decreased in year 2013-14 222033 employees. 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.

## 12. Credit Deployment

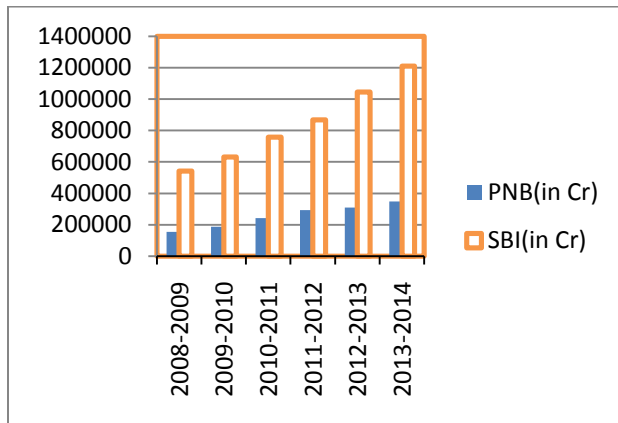
Lending or advancing loan is one of the main functions of all the banks. A bank provides loan directly or indirectly. Lending is done on the basis of funds raised by accepting deposits from the public. Advances provide income to the banks in a form of interest and discount on the one hand and promote 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
2008-2009	154703	542503
2009-2010	186601	631914
2010-2011	242107	756719
2011-2012	293775	867579
2012-2013	308725	1045617
2013-2014	349269	1209829

(Source: Compiled from annual reports of both the banks for the period 2008-2009 to 2013-2014)



**Figure 3.4**

Table 1.4 shows that the total advances of PNB bank have been increased Rs.154703 crs in year 2008 to Rs.349269 crs in year 2012. There is growth as compared to year 2008. Further in case of SBI the

advances are increased from Rs 542503 crs in year 2008 to Rs 1209829 crs in year 2013. There is a growth of near about %as compared to year 2008. It is cleared that the growth rate of SBI is more as compared to PNB. But both the show a rising trend in advances.

## 13. Borrowings

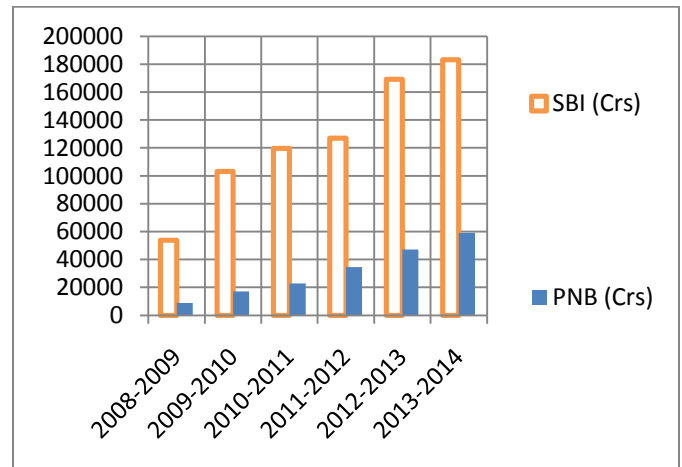
Borrowings are the amount that the general public deposits in the banks in their accounts. Banks use these deposits as their resources to advance money to the borrowers with the help of cash credit. Growth in borrowings of the PNB bank and SBI has been shown in table 1.5.

**Table 1.5 Borrowings**

(Amt in crores)

Years	PNB	SBI
2008-2009	8950	53713
2009-2010	17136	103012
2010-2011	22762	119569
2011-2012	34638	127006
2012-2013	47089	169183
2013-2014	59033	183131

(Source: Compiled from annual reports of both the banks for the period 2008-2009 to 2013-2014)



**Figure 4.5**

Table 1.5 shows that the borrowings of PNB are increased from Rs.8950 crs in year 2008 to Rs. 59033 crs in year 2013-14. Further in case of SBI the borrowings are increased from Rs.53713 crs. to Rs. 183131crs in year 2013-14.

## 14. Major Findings of the Study

### Growth of Punjab National Bank and State Bank of India

1. Deposits of PNB have been increased from Rs.209761 crs. in year 2008-09 to Rs. 451397 crs in year 2013-14. Further the deposits of SBI have been increased from Rs.742073 crs to Rs.1394409 crs. 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.
2. The number of branches of PNB is increased from 4668 in year 2008-09 to 6201 in year 2013-14 the major growth was in the year 2011-2012. Further there is uprising trend in case of SBI .It increase from 11448 in years 2008-09 to 15869 in years 2013-14. But the growth in SBI is much higher as compared to PNB.
3. The number of employees in PNB bank increased from 56025 in year 2008 to 65541 in year 2013-14. Further in case of SBI there is an decreasing trend the number from 205296 in year 2008-09 to 2002990 in year 2009-2010 and increased 222933 in year 2010-11 and slightly decreased in year 2011-12 is 215481 and tells increasing trend in the year 2012-13 is 228296 and slightly decreased in year 2013-14 222033 employees. 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. Total advances of PNB bank have been increased Rs.154703 crs in year 2008 to Rs.349269 crs in year 2012. There is growth as compared to year 2008. Further in case of SBI the advances are increased from Rs 542503 crs in year 2008 to Rs 1209829 crs in year 2013. There is a growth of near about %as compared to year 2008. 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.8950 crs in year 2008 to Rs. 59033 crs in year 2013-14. Further in case of SBI the borrowings are increased from Rs.53713 crs. to Rs. 183131crs in year 2013-14.

## 15. Conclusion

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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