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## LOAN PERFORMANCE IN SELECTED INDIAN PUBLIC SECTOR BANKS - A COMPARATIVE STUDY

**Dr.P.S.Ravindra**

*Professor & H.O.D, Miracle School of Management, Miracle Educational Society Group of Institutions,  
(Approved by AICTE, New Delhi & Affiliated to JNTU, Kakinada)  
Miracle City, Bhogapuram, Vizianagaram, A.P, India*

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### ABSTRACT

Banks play an important role in the economic development of every nation. They have control over a large part of the supply of money in circulation. A bank is a financial intermediary that accepts deposits and channels those deposits into lending activities. Banks are a fundamental component of the financial system, and are also active players in financial markets. The paper studies the loan performance of selected public banks. Last decade has witnessed many changes in the banking industry. In this study highlighted the effect of the loans and advances on the Indian Economy. Banks mainly make profit from the difference of interest received and loans paid. Banks are performing the number of functions in addition to its two main functions lending and accepting deposits. Banks grant loans in order to satisfy the growing credit needs of the different sections of the society but since the Commercial banks are profit making Organization thus they have profit making dimension added to advances granted by them. In this paper we have focused on the movement of Loans of the public banking industry by analyzing the data from the year 2009-10 to 2013-14.

### INTRODUCTION

A bank is a financial institution that provides banking and other financial services to their customers. A bank is generally understood as an institution which provides fundamental banking services such as accepting deposits and providing loans. There are also nonbanking institutions that provide certain banking services without meeting the legal definition of a bank. Banks are a subset of the financial services industry.

Banks play an important role in the economic development of every nation. They have control over a large part of the supply of money in circulation. Through their influence over the volume of bank money, they can influence in nature and character of production in any country. Economic development is a dynamic and continuous process. Banks are the main stay of economic progress of a country, because the economic development highly depends upon the extent of mobilization of resources and investment and on the operational efficiency of the various segments (i.e. Trade, Industrial Development, and Agriculture) of the economy. Thus, in the modern economy, banks have become a part and parcel of all economic activities in India.

A banking system also referred as a system provided by the bank which offers cash management services for customers, reporting the transactions of their accounts and portfolios, through out the day. The banking system in India, should not only be hassle free but it should be able to meet the new challenges posed by the technology and any other external and internal factors. For the past three decades, India's banking system has several outstanding achievements to its credit. The Banks are the main participants of the financial system in India. The Banking sector offers several facilities and opportunities to their customers. All the banks safeguards the money and valuables and provide loans, credit, and payment services, such as checking accounts, money orders, and cashier's cheques. The banks also offer investment and insurance products. As a variety of models for cooperation and integration among finance industries have emerged, some of the traditional distinctions between banks, insurance companies, and securities firms have diminished. In spite of these changes, banks continue to maintain and perform their primary role—accepting deposits and lending funds from these deposits.

A good bank is not only the financial heart of the community, but also one with an obligation of helping in every possible manner to improve the economic conditions of the common people. A bank is a financial intermediary that accepts deposits and channels those deposits into lending activities.

This paper studies with the Loan Performance of selected public banks. In the last decades various developments have been witnessed in the Public Banking Sector. Public Banks generally perform two main functions lending & accepting deposits. It facilitates business activities providing money and services that helps in exchange of goods. Lending is the most profitable because interest rates realized on loan is more than those realized on investment. Interest receive on loans are the main source of income for banks. Bankers deploy the residual funds to meet the administrative requirement, give salary to staff, build reserves and pay dividends to the shareholders and satisfy liquidity requirements. An examination of some of the important characteristics of loans provides us an insight into the lending activities of Public banks.

### RESEARCH METHODOLOGY

#### 2. *1Review of Literature*

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Hossain and Bhuiyan (1990) stated that there is no universally accepted operational definition of performance measures. In broad sense performance level of an enterprise can be measured by the extent of its organizational effectiveness. In the context of services rendered towards public the performance of an organization can be viewed as the extent to which its work is carried out within established specifications for goods and services produced, to the general satisfaction of the clientele served, within given cost and time constraints, and in such a manner as to support or contribute to the achievement of the organization objectives.

John P. Bonin, Iftekhar Hasan, Paul Wachtel(2005), Used data from 1996 to 2000 to investigate the effects of ownership, especially by strategic foreign owners, on banks efficiency for eleven transition countries in an unbalanced panel consisting of 225 banks and 856 observations. They concluded that privatization by itself was not sufficient to increase bank efficiency as government-owned banks were not appreciably less efficient than domestic private banks. They also found that foreign-owned banks were more cost-efficient than other banks and they also provided better service, in particular if they had a strategic foreign owner.

Alejandro Micco, Ugo Panizza, Monica Yañez(2007), used a new dataset to reassess the relationship between bank ownership and bank performance, providing separate estimations for developing and industrial countries. Their study finds no strong correlation between ownership and performance for banks located in industrial countries. In order to test whether the differential in performance between public and private banks was driven by political considerations, the study checked whether the differential widened during the election years and found strong support for this hypothesis.

Giuliano Iannotta, Giacomo Nocera, Andrea Sironi (2007) compared the performance and risk of a sample of 181 large banks from 15 European countries over the 1999–2004 periods and evaluated the impact of alternative ownership models; together with the degree of ownership concentration, on profitability, cost efficiency and risk.

Chowdhury and Islam (2007) stated that deposits and loan advances of Nationalized Commercial Banks (NCBs) were less sensitive to interest rate changes than those of Specialized Banks (SBs). So SBs should not make abrupt change in lending or deposit rates by following the NCBs. If NCBs change their lending or deposit rates, their deposits or loans and advances will be less affected than those of SBs. Moreover, deposits of NCBs have higher volume and higher volatility than those of SBs. On the other hand, loans advances of NCBs show a higher volume and higher volatility than those of SBs. However, SBs offer higher deposit rates and charge higher lending rates than NCBs. Hence the interest rate spread of SBs was higher than that of NCBs.

Jahangir, Shill and Hague (2007) stated that the traditional measure of profitability through stockholders equity was quite different in the banking industry from any other sector of business, where loan to deposit ratio worked as a very good indicator of banks' profitability as it depicts the status of asset-liability management of banks. But banks' risk is not only associated with this asset liability management but also related to growth opportunity. Smooth growth ensures higher future returns to holders and there lies the profitability which means not only current profits but future returns as well. So, market size and market concentration index along with return to equity and loan-to-deposit ratio grab the attention of analyzing the banks' profitability.

### 2.2. Objectives of the Study:

This study mainly focuses on the loan performance of the selected public banks The main objectives for the study were:

- To evaluate the growth of lending in selected public banks.
- To ascertain the sources or causes that promoted or weakened the credit programme of public banks.
- To find out the operational efficiency performance of public Sectors Banks.
- To make relevant suggest remedial measures based on the findings of the study.

### 2.3 Sample size:

For the present study, 10 banks have been considered. Baroda, Bank of India, Dena Bank, Indian Bank, IDBI, Indian Overseas Bank, Punjab National Bank, State Bank India, Union Bank.

### 2.4 Period of the study:

The period for the present study covered 5 years. 2009-10 to 2013-14.

### 2.5 Data collection:

The data for the present study has been collected from the annual reports and accounts, which as obtained from the branch offices and related sites. All the data related to the study have been rounded off to crore (rupees). This has been done for the following:

### **TYPES OF CREDIT/ LENDING SCHEMES OFFERED BY PUBLIC BANKS**

Indian Public Banks finances the working capital requirements of their customers. The main credits of financing in our country are Term Loans, Cash Credit, Overdrafts, and Loans Repayable on demand, bills purchased and discounted.

#### 3. 1. Cash Credit:

It is the main source of lending by banks. Under this scheme bank Advances loans for a given period on the security of shares, debentures and movable and immovable properties. Generally, banks charges interest

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on the amount which has been withdrawn by the account holder. The main advantages of this facility are it encourages savings, allows easy payment and provides flexibility. The disadvantages are that it encourages speculation, creates monopolistic tendencies and create inflation pressure.

### 3.2. Overdraft:

When a bank allows its customers having current account to withdraw the amount more than the deposits in the account it is called Overdraft. The Overdrafts depends on the credit of the customers. Such facility is given for short term and emergency purposes. Banks requires security from the customer for such facility. Such facility is given on the current account only. The main advantage of overdrafts is that it provides flexibility and easy and quick arrangement of cash flows. The disadvantages are that it carries high cost and it need to be secured.

### 3.3. Term Loans:

A Term Loan is a loan in which a borrower pays interest only for a set period. Term loans always mature between 1 to 10 years. The term loan is generally provided as working capital for acquiring income producing assets that generate the cash flows for repayment of the loan. They are the source of long term debt; they are generally obtained for financing large expansion, modernization. The advantages of term loans are that they are more flexible as compared to others; they usually have fixed interest rate. The disadvantages of term loans are that it carry repayment facility.

### 3.4. Bills Purchased and Discounted:

It is also a method for borrowing from banks. Under this method bank provides credit against the dated bills of exchange before its maturity. Seller writes such bill and buyer accept it. The buyer promises to pay in the given period. Such bills are discounted by banks and a payment is made to the customers. If the buyer does not make the payment of the bill then the bank gets payment from the seller.

*Table 3.1* shows the loan performance of Indian Public Banks during 2010 to 2014. At the end of the year 2010, the amounts of total loans of selected public banks were 16,545,915,990 crore. However, after 5 years, it reached to 32969223474 crore in 2014. It increased by 99 % in 5 years. It was a great achievement for these selected public banks. The overall achievement was an increased by 91.8 % in Andhra Bank, 126.8 % of Bank of Baroda, 120 % for Bank of India, 118.6 % for Dena Bank, 96.64 % of Indian Bank, 40.69% for IDBI, 122.63 % for Indian Overseas Bank, 87.17% for Punjab National Bank, 100.94% for SBI, 92 % for Union Bank. The total amount of loans granted increased by 99% in the period of 5 years. In some banks the amount of loans had increased but the overall performance was good. People will prefer loans from these banks because of low interest rates.

*Table 3.2* shows the Loan Performance of Banks (taken for the study) from the period 2010 to 2014. The loan figures for Andhra bank shows that the volume of term loan increased rapidly in every year of the study period. In 2011, it increased by 24.55% over the previous year. In the year 2012 the growth was 23.91%, 18.34% in 2013 and 4.73% in 2014.

In Bank of Baroda, in 2011 the volume of loans increased by 32.89 % over the previous year, in 2012 it increased by 25.3%, in 2013 increased by 11.49%, in 2014 increased by 16.89%.

In Bank of India, in 2011 the volume of loans increased by 13.62 % over the previous year, in 2012 it increased by 21.19%, in 2013 increased by 15.51%, in 2014 increased by 30.18%.

In Dena Bank, in 2011 the volume of loans increased by 17.46 % over the previous year, in 2012 it increased by 31.81%, in 2013 increased by 23.12%, in 2014 increased by 10.57%.

In Indian Bank, in 2011 the volume of loans increased by 36.93 % over the previous year, in 2012 it increased by 12.47%, in 2013 increased by 12.12%, in 2014 increased by 0.09%.

In IDBI, in 2011 the volume of loans increased by 3.54 % over the previous year, in 2012 it increased by 8.74%, in 2013 increased by 6.70%, in 2014 decreased by -0.07%.

In Indian Overseas Bank, in 2011 the volume of loans increased by 40.58 % over the previous year, in 2012 it increased by 29.99%, in 2013 decreased by -99.02%, in 2014 increased by.

In Punjab National Bank, in 2011 the volume of loans increased by 20.75 % over the previous year, in 2012 it increased by 18.28%, in 2013 increased by 0.45%, in 2014 increased by 0.07%.

In State Bank of India, in 2011 the volume of loans increased by 16.30 % over the previous year, in 2012 it increased by 57.26%, in 2013 decreased by -14.41%, in 2014 increased by 23.95%.

In Union Bank, in 2011 the volume of loans increased by 24.38 % over the previous year, in 2012 it increased by 19.78%, in 2013 increased by 24.33%, in 2014 increased by 16.88%.

*Table 3.3* shows the Details of cash credit, Overdraft and Loan Repayable on demand of select public banks from the period 2010 to 2014. The loan figures for Andhra bank shows that the volume of term loan increased rapidly in every year of the study period. In 2011, it increased by 30% over the previous year. In the year 2012 the growth was 12.52%, 16.47% in 2013 and 13.18% in 2014.

In Bank of Baroda, in 2011 the volume of loans increased by 22% over the previous year, in 2012 it increased by 24.12% , in 2013 increased by 13.94%, in 2014 increased by 29.14%.



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Banks	2010	%	2011	%	2012	%	2013	%	2014	%
Andhra Bank	561,135,072	3.39	714353582	3.48	836,418,274	3.43	983733010	3.72	1,076,442,002	3.26
Bank of Baroda	1,750,352,859	10.58	2286763609	11.14	23415020	0.10	3281857649	12.40	3,970,058,108	12.04
Bank of india	1,684,907,098	10.18	2,130,961,817	10.38	2,488,333,442	10.20	2,893,674,972	10.93	3,707,335,364	11.24
Dena Bank	354,624,428	2.14	448280451	2.18	566925376	2.32	657812176	2.48	775,537,748	2.35
Indian Bank	621,461,323	3.76	752499056	3.67	903235995	3.70	1056425468	3.99	1,222,089,858	3.71
IDBI	1,405,089,367	8.49	1570980664	7.66	1811584332	7.43	1963064479	7.41	1,976,860,036	6.00
Indian Overseas Bank	790,039,257	4.77	1118329775	5.45	1407244443	5.77	16036412	0.06	1,758,877,668	5.33
Punjab National Bank	1,866,012,080	11.28	2421066661	11.80	2937747567	12.04	3087252086	11.66	3,492,691,232	10.59
SBI	6,319,141,520	38.19	7567194480	36.88	11636702054	47.71	10456165531	39.49	12,698,287,192	38.52
Union Bank	1,193,152,986	7.22	1509860832	7.36	1778820813	7.30	2081021860	7.86	2,291,044,266	6.96
<b>Total</b>	16,545,915,990		20,520,290,927		24,390,427,316		26477043643		32,969,223,474	
<b>Average</b>	1,654,591,599		2052029093		2439042732		2647704364		3,296,922,347	

Table 3. 1: Loan Performance of Indian Public Banks during 2009-10 TO 2013-14 (In Crores)

(Source: Annual report of banks)

Table 3.2: Financial Performance of Selected Public Banks in Term Loans during 2009-10 TO 2013-14 (In Crores)

Banks	2010	2011	2012	2013	2014	Average
Andhra Bank	250,537,334	312,061,782	386,683,682	457,604,442	479,263,520	1,502,739,944
Bank of Baroda	761,378,844	1,011,815,971	1,268,578,942	1,414,429,244	1,653,390,685	4,786,881,138
Bank of India	724,955,201	823,700,489	998,321,299	1,153,206,706	1,501,318,449	4,000,447,385
Dena Bank	184,402,717	216,601,245	285,502,890	351,533,188	388,713,896	1,115,782,819
Indian Bank	337,443,984	462,088,629	519,715,758	582,737,370	612,446,633	2,024,475,068
IDBI	1,171,848,961	1,213,404,027	1,319,569,557	1,408,029,539	1,407,036,930	5,394,259,470
Indian Overseas Bank	399,160,762	561,169,237	729,509,856	7,105,220	911,160,340	1,879,177,143
Punjab National Bank	999,353,605	1,206,755,923	1,427,471,197	1,434,001,660	1,463,722,090	5,360,326,803
SBI	3,139,889,238	3,651,783,320	5,742,953,613	4,914,968,632	6,092,127,597	18,668,020,322
Union Bank	5,21,82,18,46	649,070,374	777,517,395	966,733,223	1,129,470,510	704,558,300
<b>Total</b>	8,490,792,492	10,108,450,997	13,455,824,189	23,099,256,407	15,638,650,650	58,282,054,215
<b>Combined Average</b>						5,828,205,422



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(Source: Annual report of banks)

**Table 3.3: Performance of Selected Public Banks in Cash Credit, Overdraft and Loans Repayable On Demand During 2010 TO 2014**

Banks	2010	2011	2012	2013	2014	Average
Andhra Bank	295,833,298	385,505,110	433,772,551	505,237,079	571,856,918	1,734,719,422
Bank of Baroda	796,314,689	978,048,618	1,214,014,970	1,383,335,450	1,786,487,200	4,729,011,167
Bank of India	710,607,593	945,940,431	1,099,367,073	1,228,782,177	1,632,906,390	4,311,278,552
Dena Bank	160,172,594	222,124,356	259,809,319	282,349,296	356,653,617	995,786,288
Indian Bank	269,939,017	269,481,177	360,575,816	453,829,318	582,036,664	1,470,232,661
IDBI	202,675,954	330,984,998	459,229,956	508,846,454	520,985,331	1,605,934,428
Indian Overseas Bank	342,949,799	490,335,318	625,220,563	6,849,793	794,628,117	1,624,281,096
Punjab National Bank	822,070,686	1,144,910,937	1,436,070,954	1,563,878,459	1,807,048,292	5,328,340,694
SBI	2,751,504,964	3,398,253,341	4,984,812,077	4,654,517,702	5,228,608,739	16,834,809,832
Union Bank	623,711,800	796,275,098	919,887,075	1,048,463,155	1,108,325,273	3,610,002,183
<b>Total</b>	<b>6,975,780,394</b>	<b>8,961,859,384</b>	<b>11,792,760,354</b>	<b>11,636,088,883</b>	<b>14,389,536,541</b>	<b>42,244,396,323</b>
<b>Combined Average</b>						<b>4,224,439,632</b>

**Table 3.4: Performance of Selected Public Banks in Bills Purchased and Discounted During 2010 TO 2014(In Crore)**

Banks	2010	2011	2012	2013	2014	Average
Andhra Bank	14,764,440	16,786,690	15,962,041	20,891,489	25,321,564	73,468,973
Bank of Baroda	192,659,326	296,899,020	391,179,023	484,092,955	530,180,223	1,470,866,369
Bank of India	254,747,317	367,442,634	392,876,368	511,686,089	592,489,765	1,645,250,361
Dena Bank	10,049,117	9,554,849	21,613,167	23,929,692	30,170,235	71,180,872
Indian Bank	14,078,322	20,929,250	22,944,421	19,858,780	27,606,561	83,332,085
IDBI	30,744,494	26,591,639	32,784,819	46,188,486	48,837,775	146,076,993
Indian Overseas Bank	47,928,696	66,825,220	52,514,024	175,193	53,089,211	178,060,975
Punjab National Bank	44,587,789	69,399,801	74,205,416	89,371,967	221,920,850	321,949,143
SBI	427,747,318	517,157,819	908,936,364	886,679,197	777,550,856	2,896,030,869
Union Bank	47,619,340	64,515,360	81,416,343	65,825,482	53,248,483	270,026,222
<b>Total</b>	<b>1,084,926,159</b>	<b>1,456,102,282</b>	<b>1,994,431,986</b>	<b>2,148,699,330</b>	<b>2,360,415,523</b>	<b>7,156,242,862</b>
<b>Combined Average</b>						<b>715,624,286</b>



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**TABLE 3.5: Performance of Selected Public Banks in Advances Outside India During 2010 TO 2014(In Crore)**

<b>Banks</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Average</b>
BankofBaroda	433,916,621	592,684,960	853,018,979	1,038,914,382	1,248,368,522	3,168,208,646
Bank of india	358,486,234	512,993,110	730,597,794	892,858,784	1,130,551,611	2,721,046,244
Indian Bank	26,653,326	31,181,937	48,511,745	59,370,095	73,524,205	180,421,944
IDBI	2,837,740	18,404,125	54,029,498	116,864,667	178,041,364	227,744,303
Indian Overseas Bank	76,767,010	105,630,315	156,601,776	1,906,206	184,499,270	377,805,161
Punjab National Bank	69,731,394	129,033,874	217,550,850	320,580,143	404,751,051	817,846,471
SBI	961,601,900	1,080,439,856	1,427,875,562	1,674,076,248	2,119,443,856	5,567,882,337
Union Bank	29,766,094	59,415,065	91,553,579	129,278,023	173,747,069	344,762,175
<b>Total</b>	<b>1,959,760,319</b>	<b>2,529,783,242</b>	<b>3,579,739,783</b>	<b>4,233,848,548</b>	<b>5,512,926,948</b>	<b>13,405,717,282</b>
<b>Combined average</b>						<b>1,675,714,660</b>

(Source: Annual report of banks)





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In Bank of India, in 2011 the volume of loans increased by 33.11 % over the previous year, in 2012 it increased by 16.21%, in 2013 increased by 11.77%, in 2014 increased by 32.88%.

In Dena Bank, in 2011 the volume of loans increased by 38.67 % over the previous year, in 2012 it increased by 16.96%, in 2013 increased by 8.67%, in 2014 increased by 26.31%.

In Indian Bank, in 2011 the volume of loans decreased by -0.16 % over the previous year, in 2012 it increased by 33.80%, in 2013 increased by 25.86%, in 2014 increased by 28.25%.

In IDBI, in 2011 the volume of loans increased by 63.30 % over the previous year, in 2012 it increased by 27.92%, in 2013 increased by 10.80%, in 2014 increased by 2.38%.

In Indian Overseas Bank, in 2011 the volume of loans increased by 42.97 % over the previous year, in 2012 it increased by 27.50%, in 2013 decreased by -98.9%, in 2014 increased by 115.76%.

In Punjab National Bank, in 2011 the volume of loans increased by 39.27 % over the previous year in 2012 it increased by 25.43%, in 2013 increased by 8.89%, in 2014 increased by 15.54%.

In State Bank of India, in 2011 the volume of loans increased by 23.50 % over the previous year, in 2012 it increased by 46.68%, in 2013 decreased by -6.62%, in 2014 increased by 12.33%.

In Union Bank, in 2011 the volume of loans increased by 27.66 % over the previous year, in 2012 it increased by 15.52%, in 2013 increased by 13.97%, in 2014 increased by 5.70%.

Table 3.4 shows the Details of Bills purchased and Discounted of select public banks from the period 2010 to 2014. The loan figures for Andhra bank shows that the volume of term loan increased rapidly in every year of the study period. In 2011, it increased by 13.69% over the previous year. In the year 2012 the decreased -4.91%, increased 30.88% in 2013 and 21.20% in 2014.

In Bank of Baroda, in 2011 the volume of loans increased by 54.10% over the previous year, in 2012 it increased by 31.75%, in 2013 increased by 23.75%, in 2014 increased by 9.52%.

In Bank of India, in 2011 the volume of loans increased by 44.23 % over the previous year, in 2012 it increased by 6.92%, in 2013 increased by 30.24%, in 2014 increased by 15.79%.

In Dena Bank, in 2011 the volume of loans decreased by -4.91 % over the previous year, in 2012 it increased by 12.61%, in 2013 increased by 10.79%, in 2014 increased by 26.07%.

In Indian Bank, in 2011 the volume of loans increased by 48.66 % over the previous year, in 2012 it increased by 9.62%, in 2013 decreased by -13.44%, in 2014 increased by 39.01%.

In IDBI, in 2011 the volume of loans increased by 13.50 % over the previous year, in 2012 it increased by 23.28%, in 2013 increased by 40.80%, in 2014 increased by 5.73%.

In Indian Overseas Bank, in 2011 the volume of loans increased by 39.42 % over the previous year, in 2012 it decreased by -21.41%, in 2013 decreased by -99.67%, in 2014 increased by 302.03%.

In Punjab National Bank, in 2011 the volume of loans increased by 55.64 % over the previous year, in 2012 it increased by 6.92%, in 2013 increased by 20.43%, in 2014 increased by 148.31%.

In State Bank of India, in 2011 the volume of loans increased by 20.90 % over the previous year, in 2012 it increased by 75.75%, in 2013 decreased by -2.44%, in 2014 decreased by -12.30%.

In Union Bank, in 2011 the volume of loans increased by 35.48 % over the previous year, in 2012 it increased by 26.19%, in 2013 decreased by -19.14%, in 2014 decreased by -19.19%.

Table 3.5 shows the Details of the total loan performance of the select public banks outside India from the period 2010 to 2014. Bank of Baroda, Bank of India, Indian Bank, IDBI, Indian Overseas Bank, Punjab National Bank, State Bank of India, Union Bank are the only banks that provide loans outside India.

In Bank of Baroda, in 2011 the volume of loans increased by 36.59% over the previous year, in 2012 it increased by 43.92%, in 2013 increased by 21.79%, in 2014 increased by 20.16%.

In Bank of India, in 2011 the volume of loans increased by 43.10 % over the previous year, in 2012 it increased by 42.42%, in 2013 increased by 22.21%, in 2014 increased by 26.62%.



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In Indian Bank, in 2011 the volume of loans increased by 16.99 % over the previous year, in 2012 it increased by 55.58%, in 2013 increased by 22.38%, in 2014 increased by 23.84%.

In IDBI, in 2011 the volume of loans increased by 548.55 % over the previous year , in 2012 it increased by 193.57%, in 2013 increased by 1216.30%, in 2014 increased by 52.35%.

In Indian Overseas Bank, in 2011 the volume of loans increased by 37.60 % over the previous year, in 2012 it increased by 48.25 % , in 2013 decreased by 98.77%, in 2014 increased by 95.78%.

In Punjab National Bank, in 2011 the volume of loans increased by 85.04 % over the previous year, in 2012 it increased by 68.60%, in 2013 increased by 47.36%, in 2014 increased by 26.26%.

In State Bank of India, in 2011 the volume of loans increased by 12.36 % over the previous year, in 2012 it increased by 32.16%, in 2013 increased by 17.24%, in 2014 increased by 26.60%.

In Union Bank, in 2011 the volume of loans increased by 99.61 % over the previous year, in 2012 it increased by 54.09%, in 2013 increased by 41.20%, in 2014 increased by 34.40%.

### RECOMMENDATIONS AND CONCLUSION

The organized banking sector works within the financial system to provide loans, accept deposits and provide other services to their customers. In India, banking is an important segment of the tertiary sector. It acts as the backbone of our economic progress and prosperity. It plays the all pervasive role of a catalyst in development. Indian banking has undergone major transformation during the past three decades and has been made more socially relevant and development oriented.

After studied the Loan Performance of the selected Public Banks, the following suggestions could improve the operational efficiency of the Public Banking Sector. They are as follows:

- It was observed that the lending policies of the various Banks were not proper due to having improper financing.
- Banks should provide detailed information to the customer about their lending policy.
- Various Public Banks are not granting Loans outside India, so they could do so to expand their business.

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