

FINAL TERM PROJECT (MAJOR PROJECT) On -

An Analytical Study of Growth of Credit Schemes of Punjab National Bank, Mall Road and Punjab National Bank, Timarpur, Delhi Branches.

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ABSTRACT

This study looked at and compared the performance of several banks' credit plans over the last five years (in terms of loan disbursement and non-performing assets). Total loan disbursement and total Non-Performing Assets Outstanding (NPA O/S) of selected banks has a positive association. This paper is split into two sections. In the first section, the CAGR mean and standard deviation is used to compare banks and years, and in the second section, a positive association between total loan disbursement and total NPA O/S of Change is discovered.

INTRODUCTION

In any sector, including banking, change is an ongoing process. Because of the country's financial sector developments and restrictions, change in the banking industry is unavoidable. The fundamental goal of the financial sector reforms is to improve the country's financial system's efficiency, competitiveness, and diversity. Since the liberalisation and globalisation movement began in 1991, the Indian banking industry has changed drastically. Many structural developments, such as private sector participation, credit distribution system liberalisation, and the removal of direct interest rate regulation, resulted in a new financial architecture with two well-developed markets: wholesale and retail. As a result, the concept of retail banking was developed, focused on product customization to meet the unique demands of customers. Personal, housing, automobile, and educational services are all offered, as are fixed, current/saving accounts, debit cards, credit cards, mortgage loans, and personal, housing, and automotive services. Retail banking has enhanced bank earnings while lowering portfolio risk.

Problem Statement

In today's youthful generation, the situation has entirely altered. Customers have complete control over the market. Customers are no longer required to wait months for a loan. Clients are being followed by bank salespeople these days, pushing them to employ the bank's credit plans. Rapid, high-quality service with a fresh focus on client demands is today's success credo. Consumers nowadays are highly educated, discriminating, and vocal. In exchange for their money, they want more from the seller. Customers' expectations and views have altered, and

average families now desire more conveniences and comfort. Thanks to retail financing, Indians can now realise their dreams before they reach retirement age. The ultimate beneficiary of the severe competition existing in the finance business is the loan seeker, because there are so many participants in the market giving the most value-added and efficient service to satisfy the king of the market, the consumer. New generation banks have increased operational convenience because to outsourcing and doorstep service. Only credit schemes were chosen to simplify the analysis because the scope of retail banking is so extensive. These days, every bank's loan distribution is expanding. At the same time, NPA O/S is expanding.

Their recovery procedures, on the other hand, are ineffective, which is terrible for both the bank and the country. If proper procedures are not followed in a timely manner, it will be extremely harmful to society, as bad borrowers would continue to accumulate bad debts, negatively impacting other borrowers. In order to take suitable action, the researcher must assess bank performance in terms of loan disbursement and NPA O/S.

Research Methodology

Objectives of the Study

- To assess the performance of chosen credit schemes of selected banks over the last five years (in terms of loan disbursement and non-performing assets).
- To compare the performance of various bank credit plans over the last five years (in terms of loan disbursement and nonperforming assets).
- Establish a link between total loan disbursement and total nonperforming assets (NPA O/S) at the banks you've chosen.
- To look at new methods for increasing loan distribution by these institutions.

The study's above-mentioned aims were met using both primary and secondary data. Secondary data comes from Punjab National Bank, Mall Road, Delhi Branch, and Punjab National Bank, Timarpur, Delhi.

Primary data is collected on the basis of discussion made with officials of the above selected banks.

Sample Size and Sample Design

To attain the above-mentioned objectives of the study five banks of Haryana have been selected:

- Punjab National Bank (PNB), Mall Road, Delhi Branch
- Punjab National Bank (PNB), Timarpur, Delhi Branch

Further four types of loans of these selected banks are chosen:

- Car Loan
- Home Loan
- Education Loan
- Personal Loan The scope of study is limited to Haryana only.

The following variables are taken to study growth of credit schemes:

- Loan disbursements (Amount)
- NPA O/S (Amount)
- Loan disbursements (No. of Accounts)
- NPA O/S (No. of Accounts)

Hypothesis Testing

There is significant positive relation between the total loan disbursement and total NPA O/S of the selected banks. The significance level is 0.01.

Technique of Analysis

For making analysis of collected data on the study statistical techniques of Compounded Annual Growth Rate (CAGR), mean and standard deviation have been applied with the help of the leading Finacle software.

The mean value of total loan disbursement and total NPA O/S in the selected banks are calculated. Moreover, a trend of loan disbursements (car loan, personal loan, home loan and education loan) and NPA O/S (car loan, personal loan, home loan and education loan) of selected banks are also shown in diagrams and tables.

Limitations of Study

- Geographical scope of the study was limited to Haryana state and does not represent the whole of India.
- There can be many interpretations and explanations to the data collected. This is an empirical study and the research provides explanation as understood by the researcher only.
- The study is only limited to banks.

Analysis and Interpretation

Table 1 depicts that in March 2018-19, PNB, Mall Road made loan disbursements of Rs. 3,538.46 lakh. After that, there was a decreasing trend up till March 2005. Again in 2020-21, the loan amount disbursed increased and after March 2020, there was an increasing trend up to March 2021.

TABLE 1: CAR LOAN DISBURSEMENT

YEAR	Punjab National Bank, Mall Road	Punjab National Bank, Timarpur
MARCH 2018	3500.00	3100.00
MARCH 2019	1300.00	1100.00
MARCH 2020	1251.00	6200.00
MARCH 2021	2386.00	3100.00
MARCH 2022	2164.00	3300.00
CAGR in %	- 4.65	5.07

SOURCE: PUNJAB NATIONAL BANK, MALL ROAD, and PUNJAB NATIONAL BANK, TIMARPUR BRANCHES

The growth rate in case of PNB Timarpur was 5.07 which is the highest and in PNB Mall Road the growth rate was -4.65% which was the lowest among both the banks. It can be interpreted that car loan of PNB, Timarpur was very popular in the last five years, and in 2019, car loan was decreased both the banks.

Table 2 depicts that, in case of PNB Timarpur, the NPA was increasing with 32.04% rate, which is maximum in comparison with the other bank. It can also be seen that NPA was increasing in all banks. It means that no bank was adopting good methods of recovery.

TABLE 2: CAR LOAN NPA O/S (Rupees in lakhs)

YEAR	PNB MALL ROAD	PNB TIMARPUR
MARCH 2018	176.77	168.44
MARCH 2019	52.34	22.56
MARCH 2020	21.00	386.00
MARCH 2021	265.42	258.78
MARCH 2022	198.65	199.64
CAGR IN %	20.41	32.04

Table 3 shows that Growth rate was 7.62% which was the lowest among both the banks in the case of PNB Timarpur. Maximum growth rate was in case of PNB Mall Road which was 25.75%.

TABLE 3: CAR LOAN DISBURSEMENT (No. of accounts)

YEAR	PNB, MALL ROAD	PNB, TIMARPUR
MARCH 2018	2,228	1,402
MARCH 2019	868	995
MARCH 2020	746	2,361
MARCH 2021	3,638	1,607
MARCH 2022	3,422	1,593
CAGR IN %	25.75	7.62

To sum up, it can be said that, loan disbursement in amounts was almost increasing in the case of both the banks but number of accounts was increasing in PNB Mall Road. It means car loan of PNB Timarpur was very popular among customers.

It is examined from Table 4 that in 2019, there was a substantial decrease in NPA accounts of both the selected banks and in 2020 and there was substantial increase in NPA accounts of both the selected banks. The number of accounts of NPA O/S was increasing in case of PNB Mall Road with 6.46%. PNB mall road showed an increasing trend from 2018 to 2020, but after that, a decreasing trend.

TABLE 4: CAR LOAN NOA O/S

YEAR	PNB MALL ROAD	PNB TIMARPUR
MARCH 2018	177	206
MARCH 2019	65	29
MARCH 2020	64	248
MARCH 2021	115	118
MARCH 2022	182	132
CAGR IN %	6.46	5.27

In both the banks, NPA is increasing. Thus, it can be interpreted that no bank is using good methods of recovery.

Table 5 shows that in 2019 there was a substantial decrease in loan disbursement of both the selected banks. In 2020 also there was substantial increase in loan disbursement of both the selected banks. In 2021, there was a decrease in loan disbursed in PNB Timarpur, but on the contrary, loan disbursement in PNB Mall Road is increasing.

TABLE 5: HOME LOAN DISBURSEMENT (RUPEES IN LAKH)

YEAR	PNB MALL ROAD	PNB TIMARPUR
MARCH 2018	10,732.37	30,492.05
MARCH 2019	7,542.37	9,587.62
MARCH 2020	9,832.00	30,786.02
MARCH 2021	13,873.00	28,634.28
MARCH 2022	18,875.86	35,542.18
CAGR IN %	14.94	15.68

It also depicts that the compound growth rate of home loan disbursed was minimum in the case of PNB Mall Road. The amount of loan disbursed was increasing, but it was increasing at a slow rate.

TABLE 6: HOME LOAN DISBURSEMENT NPA O/S (RUPEES IN LAKH)

YEAR	PNB MALL ROAD	PNB TIMARPUR
MARCH 2018	112.28	267.04
MARCH 2019	261.38	209.17
MARCH 2020	242.45	664.51
MARCH 2021	239.34	383.82
MARCH 2022	169.58	395.43
CAGR IN %	7.64	14.94

Table 6 reveals that bad debts of PNB Mall Road were decreasing faster in comparison to another bank and showed a decreasing rate of 7.64. On the other hand, in case of PNB Timarpur, it was increasing. It can be concluded that both the are not good in the case of recovery methods.

TABLE 7: HOME LOAN DISBURSEMENTS (NO. OF ACCOUNTS)

YEAR	PNB MALL ROAD	PNB TIMARPUR
MARCH 2018	2,791	6,144
MARCH 2019	2,238	3,644
MARCH 2020	2,256	3,750
MARCH 2021	3,872	8,883
MARCH 2022	5,743	9,561
CAGR IN %	22.03	19.43

It is observed from Table 7 that in 2021, there was a substantial increase in the number of accounts of home loan disbursement of both the selected banks. Table indicates growth rate in the case of all banks was near to one another. The maximum growth rate was in the case of PNB Mall road at 22.03%. The number of accounts of home loan disbursements was increasing fast in the case of PNB. In the case of PNB Timarpur, it is increasing slowly.

It is revealed from Table 8 that the amount of NPA O/S was increasing in the case of PNB Mall Road but number of accounts of NPA O/S of PNB mall road were decreasing at a rate of – 15.88%, which was faster in comparison to another bank. On the other hand, in the case of PNB Timarpur it was increasing rapidly.

TABLE 8: HOME LOAN NPA O/S (NO. OF ACCOUNTS)

YEAR	PNB MALL ROAD	PNB TIMARPUR
MARCH 2018	68	119
MARCH 2019	316	412
MARCH 2020	235	832
MARCH 2021	56	235
MARCH 2022	38	351
CAGR IN %	-15.88	17.37

It can be concluded that PNB mall road is using good methods for recovery. PNB Timarpur is not good in the case of recovery.

Table 9 indicates that in 2020, there was an increasing trend in loan disbursement by PNB mall road. In 2021, amount disbursed by PNB Timarpur. In 2022, loan disbursement in all banks saw an increasing trend in 2022.

TABLE 9: EDUCATION LOAN DISBURSEMENT (RUPEES IN LAKHS)

YEAR	PNB MALL ROAD	PNB TIMARPUR
MARCH 2018	1,481.09	6,592.72
MARCH 2019	1,406.79	5,674.26
MARCH 2020	955.04	2,876.00
MARCH 2021	886.62	3,861.34
MARCH 2022	995.62	5,972.51
CAGR IN %	-11.83	-5.48

Table 10 depicts that NPA O/S was minimum in the case of PNB at -5.91%. In the case of PNB Mall Road from 2020-21, education loan bad debts increased, but after 2021 it started decreasing. In a nutshell, it is said that PNB Timarpur was not good. In the case of PNB Mall Road, recovery methods were better in comparison with PNB Timarpur for the past five years.

TABLE 10: EDUCATION LOANS DISBURSEMENT NPA O/S (RUPEES IN LAKHS)

YEAR	PNB MALL ROAD	PNB TIMARPUR
MARCH 2018	11.56	21.85
MARCH 2019	88.17	70.76
MARCH 2020	24.00	96.54
MARCH 2021	11.56	36.32
MARCH 2022	23.54	45.29
CAGR IN %	-5.91	8.23

It is clear from Table 11 that In PNB Mall Road, the amount disbursed saw a decreasing trend, but number of accounts increased.

TABLE 11: EDUCATIONAL LOAN DISBURSEMENT (RUPEES IN LAKHS)

YEAR	PNB MALL ROAD	PNB TIMARPUR
MARCH 2018	597	1393
MARCH 2019	326	1800
MARCH 2020	395	976
MARCH 2021	583	1883
MARCH 2022	485	1954
CAGR IN %	1.65	7.49

Table 12 indicates that in the case of PNB Mall Road, the number of accounts of NPA O/S was decreasing at -20.66% . PNB Timarpur had also seen an increasing trend with 24.10% . It can be concluded that recovery methods of PNB Mall Road were good for the past five years, but for PNB Timarpur, they were poor.

TABLE 12: EDUCATION LOAN NPA O/S (RUPEES IN LAKHS)

YEAR	PNB MALL ROAD	PNB TIMARPUR
MARCH 2018	32	58
MARCH 2019	82	29
MARCH 2020	29	45
MARCH 2021	23	88
MARCH 2022	19	98
CAGR IN %	-20.66	24.10

Table 13 reveals that in 2019 and 2020, there was a substantial increase in loan disbursed for both the banks, but in 2021, there was a decreasing trend in loans disbursed of both the selected banks. Again in 2021, there was an increasing trend in loans disbursed by PNB Timarpur. Loans disbursed by PNB Mall Road decreased.

TABLE 13: PERSONAL LOAN DISBURSEMENT (RUPEES IN LAKHS)

YEAR	PNB MALL ROAD	PNB TIMARPUR
MARCH 2018	1436.96	2881.64
MARCH 2019	2059.90	3166.57
MARCH 2020	3591.23	6099.82
MARCH 2021	2638.21	3631.28
MARCH 2022	2563.54	4532.92
CAGR IN %	15.09	10.99

It is evident from Table 14 that there was a substantial increase in the case of PNB Timarpur in 2020 and after that a decrease in 2021. PNB Timarpur also was increasing. There was a fluctuating trend in PNB Mall Road.

TABLE 14: PERSONAL LOAN DISBURSEMENT NPA O/S (RUPEES IN LAKHS)

YEAR	PNB MALL ROAD	PNB TIMARPUR
MARCH 2018	135.24	163.57
MARCH 2019	124.62	114.45
MARCH 2020	183	398.65
MARCH 2021	148.65	345.87
MARCH 2022	135.24	289.65
CAGR IN %	1.78	25.22

Table 15 indicates that PNB Mall Road had the lowest growth rate at -2.35% among both the banks. However, PNB Mall Road had the lowest growth rate in number of accounts, but the amount of loans disbursed increased at a good rate of 15.09% .

TABLE 15: PERSONAL LOAN DISBURSEMENT (RUPEES IN LAKHS)

YEAR	PNB MALL ROAD	PNB TIMARPUR
MARCH 2018	2268	2905
MARCH 2019	1878	2864
MARCH 2020	2250	3525
MARCH 2021	2683	3842
MARCH 2022	1685	3265
CAGR IN %	-2.35	9.11

Table 16 reveals that PNB Timarpur had a minimum number of accounts of NPA O/S with growth rate of 0.73% . There was a substantial decrease in the case of both the banks in 2019 and in 2020 there was a rise in number of NPA O/S accounts of all banks.

TABLE 16: PERSONAL LOAN NPA O/S (RUPEES IN LAKHS)

YEAR	PNB MALL ROAD	PNB TIMARPUR
MARCH 2018	340	636
MARCH 2019	231	174
MARCH 2020	587	1032
MARCH 2021	454	562
MARCH 2022	340	367
CAGR IN %	6.99	0.73

Table 17 depicts that the mean value of loan disbursement in both the banks was maximum in 2022, and in 2019, it was minimum. So, it was found that in 2019, in all banks loan disbursement was minimum. The mean value of loan disbursement in PNB Timarpur was maximum in the overall comparison of both the banks, whereas the mean value of loan disbursement in PNB was minimum.

TABLE 17: DESCRIPTIVES OF TOTAL LOAN DISBURSEMENT (REPORTS)

YEAR	DESCRIPTIVE	PNB MALL ROAD	PNB TIMARPUR
2018	MEAN	4297.2200	10784.12
	N	2	2
	STANDARD DEVIATION	4400.73	13256.23
2019	MEAN	3067.0725	4884.9725
	N	2	2
	STANDARD DEVIATION	3003.693	3648.302
2020	MEAN	3907.3175	11499.71
	N	2	2
	STANDARD DEVIATION	4122.044	12951.00
2021	MEAN	4945.3600	9872.0450
	N	2	2
	STANDARD DEVIATION	6002.191	12509.76
2022	MEAN	5397.9300	12632.86
	N	2	2
	STANDARD DEVIATION	7016.480	15972.71
TOTAL	MEAN	3962.92	9926.7415
	N	2	2
	STANDARD DEVIATION	4617.388	11352.83

FINDINGS AND SUGGESTIONS

- In car loan disbursement, in PNB Mall Road the growth rate was -3.45% , which was the lowest among both the banks. In 2019, car loans decreased in all banks.
- The amount of home loan disbursement was increasing, but at a slow rate. It can be seen that home loan of PNB Mall Road were popular in the market in the past five years.
- PNB Mall Road, had the slowest growth rate at -11.83% in the past five years. It can be said that education loans of PNB Timarpur were popular in the last five years.
- In personal loan disbursement, it can be said that personal loans of both the banks were almost same and popular in the past five years.
- The mean value of loan disbursement in all banks was maximum in 2022 and it was found that in 2019, in all banks loan disbursement was minimum.
- The mean value of loan disbursement in PNB Timarpur was maximum in overall comparison with the other bank whereas the mean value of loan disbursement in PNB was minimum.
- It can be concluded that almost both the banks were not using proper methods of recovery. However, PNB Mall Road were using somewhat good methods of recovery in some types of loans, but PNB Timarpur were very poor in their recovery methods.
- The standard deviation in comparison with both the banks is minimum in PNB Mall Road then PNB Timarpur in most of the years.

It can be seen that as the loan disbursed was increasing in all banks, the NPA O/S was also increasing. In a nutshell, it can be suggested that banks should improve their recovery methods. Bank should also provide concessions to A class borrowers in other banking services such as concessions in locker rent. Further, sanctioning of loans from previous database can be maintained and basic papers to be collected time and again. Banks should align themselves with customers by using new initiatives and innovations, new strategies and imperative at the same time, becoming more customer-centric with proper emphasis on relationship management with A class borrowers. Various steps should be taken to motivate good borrowers like discounts, extra facilities and lesser formalities. Proper steps should also be taken to solve the NPA problem like negotiated compromise, legal remedies, acquisition and takeovers.

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