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An Analytical Study of Selected Development Banks in India

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Abstract

The economic development of any country depends on the extent to which its financial system efficiently and effectively mobilizes and allocates resources. After the Second World War, Industrialized and less developed countries have tried to bridge long-term financing needs through the creation of national development banks for finance so, the researcher wanted to know about financial parameters related to developmental banks and to study an analytical study of selected banks. The researcher has used components like Deposits, Investments, Loans and Advances, Borrowings, Fixed assets, and other assets to an analysis of performance. The researcher has selected the period of study 6(six) years which are 2014-15 to 2019-20. The researcher has used the ANOVA test for the analysis of the performance of selected Development Bank in India. The researcher has found the highest amount of deposit has been found in NABARD and SIDBI and EXIM on second and third rank respectively. The trend of deposit in SIDBI, NABARD shows a continued upward trend, but in EXIM bank deposits shows decreasing level by comparing to the base year. During the period of study in 2018 trend of deposits decreased by 9.27 in EXIM bank. By applying ANOVA deposits of three selected development banks found 8.49 is calculated value and 3.68 is table value at the 5% level of significance, so, the null hypothesis is rejected it means there is a significant difference in the Deposits and other finding included in the research paper.

Introduction

Every country's economic growth is dependent on the degree to which its financial system is capable of mobilizing and allocating resources in a cost-effective and efficient manner. Since the Second World War, industrialized and developing nations have attempted to bridge the gap between their long-term financial requirements by establishing national development banks for finance and other institutions. It is beneficial for the government to understand the efficacy of development efforts and the progress made toward attaining the objectives of sustainable development. There are many banks and financial organizations that fulfill this role, one of which being the Development Bank of the United Nations Development Program. Growth banks are one-of-a-kind financial institutions that are tasked with the unique job of encouraging the development of a country, a task that is usually not performed by other financial organizations.

Development banks are financial institutions that offer medium- and long-term financial assistance to developing countries while also acting as catalysts in the promotion of the country's balanced development. These organizations work to promote and grow important areas such as industry, agriculture, and other related fields. They also offer development services, which may assist in the acceleration of an economy's growth by reducing costs. (I. M. & Ramesh, 2012). Global financial institutions that serve the people and the private sector, in particular small and medium-sized businesses (MSMEs), are critical to accomplishing our dual

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objectives of poverty reduction and shared prosperity in the economy, according to the World Bank Group (WBG). For decades, the World Bank Group has collaborated with development finance institutions (DFIs) in a variety of nations.

Lines of credit, guarantees, and technical support programs have all been made available by us. Looking forward, we continue to view development finance institutions (DFIs) as an essential tool in the global endeavor to alleviate poverty and promote economic growth. As the international community tries to raise extra money to achieve the Sustainable Development Goals by the year 2030, development finance institutions (DFIs) can play a critical role in closing the funding gap. Aside from financing projects that the private sector is unwilling or unable to finance, development finance institutions (DFIs) also assist in the creation and development of new market niches, the development of innovative schemes to attract and channel private sector resources to large infrastructure and the development of such infrastructure, and the creation of new market niches. (https://www.worldbank.org/, 2018).

Review of Literature

The examination of national databases on a scientific and thorough basis is only possible via the use of bigger samples. Earlier this year, the World Bank released its inaugural Global Financial Development Report, which looked at how governments interact with the financial system. Among other things, the study looked at government ownership of banks, providing fresh evidence that state participation may assist reduce the negative consequences of a crisis, such as the one that occurred during the global financial crisis of 2008 and 2009. In certain countries, lending by state-owned banks was countercyclical, helping to mitigate the effects of the liquidity crisis and deleveraging of personal banks.

Having said that, the study warned that, over a longer length of time, direct state intervention in the financial sector and, therefore, the economy may have significant negative consequences. When a result, as the crisis subsides, the data indicates that governments should change their interventions from direct (via the use of public banks) to indirect (through policy reforms) modes of action. There has begun to emerge in academic circles a replacement model for the role that depository institutions (DBs) should play, known as the pro-market activism model. This model acknowledges that depository institutions, and more broadly public banks, could play a key role in developing specialized knowledge and tools to deal with problems of access to finance by collaborating closely with the private sector. According to this new perspective, DBs are compatible with the detection of unserved or underserved market segments and the filling of gaps. Furthermore, their area of activity is limited to providing assistance to non-public agents by promoting “market-friendly” initiatives that assist players in the private sector in developing solutions to access-related issues. (World Bank, Group, 2018).

Satyavathi et al (2020) use several statistical methods to investigate the growth of the Tiny Industrial Development Bank of India. The increase in total assets has been assisted by SIDBI's investments, loans, and advances, as well as total assets. Researchers have noted this rise and said it was driven by the assets under management and other economic data. To find out how well the Industrial Development Bank of India performed over the course of a decade (from 2007-08 to 2016-17), an assessment has been conducted by utilizing a variety of methods, including variance, mean, covariance, correlation, and multivariate analysis. The researcher is able to explain how different assets are related to one another via covariance and how loans and advances are connected to net worth, deposits, borrowings, investments, and total assets (Satyavathi, 2020)

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Vanlalzawna (2016), Study on the assessment of the monetary performance of a bank in India. The financial performance of chosen banks was of interest to the researcher, who wanted to know how they fared in terms of the CAMEL model. The CAMEL model was used to evaluate the performance of two public sector banks and two private sector banks during a 10-year study period. The researchers chose two public sector banks and two private sector banks for the assessment of performance over a 10-year study period. To demonstrate their goals, the researcher has utilized statistical tools such as the average mean, order, and ANOVA to demonstrate their findings. According to the findings of a researcher, the rating system makes evaluating and analyzing the financial data of banks more easier for the average person. By using this specific data set, it is often seen that personal sector banks consistently rank at the top of the list in terms of their performance across a wide range of criteria when compared to public sector banks (Vanlalzawna, 2016)

According to Ernani & Rodrigo (2016), this research was carried out. In the context of the Brazilian example, we demonstrate how the BNDES transformed from a provider of long-term loans to a more sophisticated financial institution. When it came to countercyclical responses to the financial crisis, the BNDES was the most significant instrument that the Brazilian government had at its disposal. Institutions similar to the BNDES may potentially be a viable option for many developing nations in terms of establishing long-term indigenous financial institutions and markets, as well as developing specialized human resources in the financial sector. Although they have the potential to be beneficial, they also have dangers such as difficulties with scaling, competition for scarce resources, and inefficiency (Ernani & Rodrigo, 2016).

This research, conducted by Mustafa (2014), examines the financial performance of Erbil Bank for Investment and Finance in the Kurdistan Region of Iraq during the period 2009-2013. Several financial performance criteria are used, such as financial ratios analysis, which is used to assess the financial situation of the bank and on a wider variety of financial performance parameters. A number of factors that may have an impact on the banking sector in general have been studied using statistical techniques in order to determine whether or not these variables are substantially linked with the financial performance of the bank. As a result of the research, Erbil Bank's financial situation has shown a mostly favorable trend, and a few of the bank's financial factor variables have been found to have an impact on the bank's financial performance. In the following analysis, it is discovered that the overall financial performance of Erbil Bank is improving in terms of liquidity ratios, asset quality ratios or credit performance, profitability ratios, and return on equity ratios (NPM, ROA, and ROE). According to the findings of this research, a group of suggestions about the event and the enhancement of certain banking activities may help to increase the profitability of a bank and improve the financial performance of that bank. (Mustafa, 2014).

A study conducted by Anurag & Priyanka (2012) noted the significance of the banking industry in terms of the country's economic growth. The banking sector in India is distinguished by an extensive network of bank branches that provide a wide range of financial services to the general public. The study methodology used includes a comparison examination of both banks' support for both the mean and compound rate of growth, among other things (GCR). The purpose of the research is to examine the financial performance of SBI and ICICI Bank, which are both public sector and private sector organizations, respectively. The nature of the investigation is descriptive and analytical in character. The information that was gathered for the research was completely secondary in origin. This research is being carried out in order to compare the financial performance of SBI and ICICI Bank on the basis of several parameters such as credit deposit, net margin, and so on. The amount of time spent studying ranges from

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the 2007-08 school year to the 2011-12 year. Researchers discovered that SBI is operating better and more financially solidly than the ICICI bank in terms of deposits and spending, but that the ICICI bank has greater management efficiency than the SBI bank in terms of management efficiency (Anurag & Priyanka, 2012).

Problem of the Study

The researcher wants to investigate the financial performance of the development bank of India since there is little known about it, which would benefit both the government, its clients, and investors. To accomplish the goals laid out in the 2030 sustainable development goals, fulfill the commitment of the Paris agreement, and build new infrastructure in developed countries in the next 15 years, it is estimated that trillions of dollars will be needed, with one-third of that funding allocated to boosting economic growth and development in the developing world. It is imperative that governments understand the financial performance of the development banks, so they can decide how much they can lend out for what purposes.

Hypothesis of the Study

Null Hypothesis (H_0)

H_0 = There is no significant difference intends of **deposits** of selected development banks during the period of study.

H_0 = There is no significant difference intends of **investment** of selected development banks during the period of study.

H_0 = There is no significant difference intends of **Loans and advances** of selected development banks during the period of study.

H_0 = There is no significant difference intends of **borrowing** of selected development banks during the period of study.

H_0 = There is no significant difference intends of **fixed assets** of selected development banks during the period of study.

H_0 = There is no significant difference intends of **other assets** of selected development banks during the period of study.

Methods

Here researcher has used secondary data for the analysis of performance and as components like Deposits, Investments, Loans and Advances, Borrowings, Fixed assets, and other assets to analyze performance. The researcher has selected 3 banks only based on simple random sampling because mostly these three banks are performing in the financial assistant. This research totally based on the secondary data which was collected from the annual report of the banks and the period of the study is six years from 2014-15 to 2019-2020 it may generalize my research work so that researcher has selected six years. Researchers want to know the performance based on different components which are Deposits, Investments, Loans and Advances, Borrowings, Fixed assets, and other assets. The researcher has used one way-ANOVA tests for testing the hypothesis Kothari (2004).

Results and Discussion

Data Analysis and Interpretation and Major Findings

Finding means information discovered as the result of research. This research is totally based on secondary data and also based on data collected from various books, magazines, websites,

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and six years annual reports of selected development banks. For the data, analysis the researcher includes trend analysis and ANOVA test. For the collection of data, it becomes very difficult for researchers to collect data because many development banks have their own sub-branches so to decide which development bank select for research, after selecting banks it becomes difficult to calculate data. These researches are based on secondary data and conclude the following result.

Table 1. Calculation of result on the basis of ANOVA

Particulars	**Calculated value**	**Table value**	**Accepted / rejected**	**Remarks**
Deposits	8.4921	3.6823	H0 is rejected	There is significant difference between trends of deposit of selected development banks
Investment	0.5733	3.6823	H0 is accepted	There is no significant difference between trends of investments of selected development banks
Loan and advances	0.9329	3.6823	H0 is accepted	There is no significant difference between trends of loan & advances of selected development banks
Borrowings	3.3353	3.6823	H0 is accepted	There is no significant difference between trends of borrowings of selected development banks
Fixed assets	0.9947	3.6823	H0 is accepted	There is no significant difference between trends of fixed assets of selected development banks
Other assets	2.1383	3.6823	H0 is accepted	There is no significant difference between trends of other assets of selected development banks

Sources: Self Constructed based on annual report

During the study period it has found the highest amount of deposit has been found in NABARD and SIDBI and EXIM on second and third rank respectively. The trends of deposit in SIDBI, NABARD shows a continued upward trend, but in EXIM bank deposit shows decreasing level by comparing to the base year. During the period of study in 2018 trend of deposits decreased by 9.27 in EXIM bank. By applying ANOVA deposits of three selected development banks found 8.49 is calculated value and 3.68 is table value at the 5% level of significance, so, the null hypothesis is rejected.

During the study period it has found highest amount of investment has been found in NABARD and SIDBI and EXIM on second and third rank respectively. In 2018 there was a drastic change in the trend of investments in NABARD with 1917.19. The trend of investment found with an upward level in selected banks comparing to the base year. Because it every year it increased and in 2017in EXIM it shows changes of the trend of investments.

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During the study period it has found highest amount of loan and advances has been found in NABARD. After that EXIM and SIDBI on second and third rank respectively. All three banks show a high trend comparing to a base year in each other.

During the study period it has found highest amount of borrowings has been found in SIDBI and NABARD and EXIM on second and third rank respectively. SIDBI'S high trend of deposit in the year 2018 and EXIM bank 106.12 in 2018. But NABARD shows the giant trend of deposits with 1432.94 in the year 2018 which shows the drastic change. Performance of three banks shows good changes in each other, in all calculation NABARD get the first rank in all parameters except borrowings.

During the study period it has found highest amount of fixed assets has been found in NABARD and EXIM and SIDBI on second and third rank respectively. Comparing to base year SIDBI and EXIM bank shows high fixed assets. NABARD also shows a high trend comparing to the base year continuously.

During the study period it has found highest amount of other assets has been found in NABARD and EXIM and SIDBI on second and third rank respectively. In EXIM bank Trend of other assets higher than the other two banks, compared to the base year every year continuously increased.

Table 2. Evaluation for the Suggestions

Components	Banks	Sidbi	Nabard	Exim
Average Deposit		2,01,31,93,47,507.3	17,74,35,36,52,666.7	17,04,19,86,443.7
Rank		**Second**	**First**	**Third**
Average Investment		55,22,78,72,330	2,40,27,43,60,000	45,91,96,74,869
Rank		**Second**	**First**	**Third**
Average Loan And Advances		6,69,80,91,11,289.5	26,02,20,84,71,500	8,77,56,17,96,852
Rank		**Third**	**First**	**Second**
Average Of Borrowings		3,80,91,46,05,752	1,89,44,61,28,833.3	1,49,03,37,20,797.3
Rank		**First**	**Second**	**Third**
Average Fixed Assets		2,09,31,69,110.333	3,63,40,37,166.7	1,04,72,44,255.667
Rank		**Third**	**First**	**Second**
Average Other Assets		19,32,59,21,410	42,05,18,29,333	46,38,63,69,609.5
Rank		**Third**	**Second**	**First**

Sources: Self Constructed based on annual report

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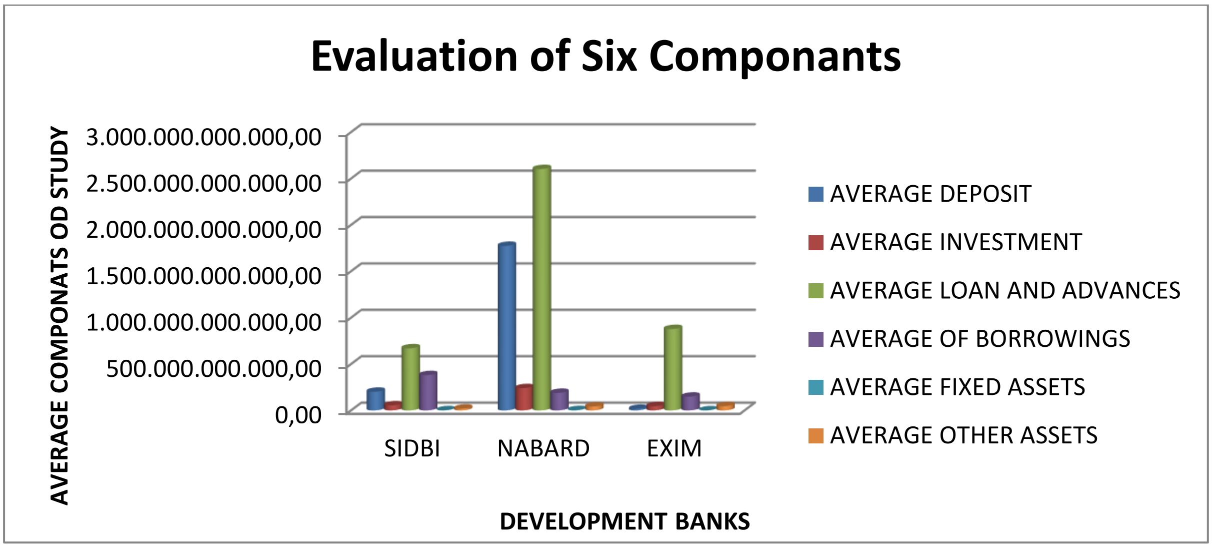

Figure 1. Evaluation of Six Componants

Interpretation

NABARD include various types of deposit with wide area and shows the high trend of deposits than other banks. So, Suggestion for three banks to maintain their deposit and increase to focus in the area of loans and advances. Here, for SIDBI and EXIM that they have to invest in other options so that they can get more return. Because investment plays a useful role in the development of banks, Increase proportion of loan and advances because it gave more return compared to deposits. Compare to deposit it is good to provide more loans and advances with taking high interest rate. So, all three banks have to increase the high amount of providing loan and advances. When banks, companies borrow somewhere it was liabilities for particular banks. So, SIDBI has to reduce its borrowing. Options of taking deposits are less costly than borrowing. By reducing unnecessary fixed assets. It was better to invest capital in banks for expansion, for new projects, and development. Fixed assets higher in NABARD. So, they should use properly maintenance of other assets is a crucial part of every bank. So, it is necessary to maintain it for expansion and development.

Limitations of the Study

This study includes only six years period. This study is based on secondary data. At the time of research banks for research purpose focus has been given based on the availability of requisite information needs of the conducting research.

Future Scope of the Study

The scope of the study is very wide. Here, the researcher has studied only three banks and included six years as the study period which found on selected parameters. In the future, it can be possible to study including more time period, more parameters, and several samples also as well as in primary aspect also. The researcher has also suggested that it is also possible based on profitability and investment point of view.

Conclusion

For this research, the working researcher selects three development banks or financial institutions. SIDBI, NABARD, EXIM bank works with lots of schemes and promotional activities for the development of industries, agriculture sectors, rural development, and for all over development of the nation. The above suggestions help to restructure banks. So, all three

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