

**STUDY OF THE GROWTH ASPECTS OF BANKS:
A COMPARATIVE STUDY OF HDFC AND SBOP**

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ABSRACT

The banking system of India should not only be hassle free but it should be able to meet new challenges posed by the technology and any other external and internal factors. The government's regular policy for Indian bank since 1969 has paid rich dividends with the nationalization of 14 major private banks of India. For the purpose of study two banks have been taken one from public sector bank and one from private sector bank that is HDFC and SBOP. The purpose of study is to examine the growth aspects of both the banks and also compare the growth of both the banks. For the purpose of the study secondary date has been taken from the period 2005-06 to 2009-10. The study found that the growth of HDFC bank is higher as compared to SBOP bank.

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INTRODUCTION

Without a sound and effective banking system in India it cannot have a healthy economy. The banking system of India should not only be hassle free but it should be able to meet 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 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. Not long ago, an account holder had to wait for hours at the bank counters for getting a draft or for withdrawing his own money. Today, he has a choice. Gone are days when the most efficient bank transferred money from one branch to other in two days. Now it is simple as instant messaging or dials a pizza. Money has become the order of the day.

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.

HDFC BANK INTRODUCTION

The Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of the RBI's liberalization of the Indian Banking Industry in 1994. The bank was incorporated in August 1994 in the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995. HDFC Bank currently has an nationwide network of 1,986 Branches and 5,471 ATM's in 996 Indian towns and cities.

HDFC Bank's mission is to be a World-Class Indian Bank. The objective is to build sound customer franchises across distinct businesses so as to be the preferred provider of banking

services for target retail and wholesale customer segments, and to achieve healthy growth in profitability, consistent with the bank's risk appetite. The bank is committed to maintain the highest level of ethical standards, professional integrity, corporate governance and regulatory compliance. HDFC Bank's business philosophy is based on four core values - Operational Excellence, Customer Focus, Product Leadership and People. HDFC Bank offers a wide range of commercial and transactional banking services and treasury products to wholesale and retail customers. The bank has three key business segments:

The Bank also has 5,471 networked ATMs across these cities. Moreover, HDFC Bank's ATM network can be accessed by all domestic and international Visa/MasterCard, Visa Electron/Maestro, Plus/Cirrus and American Express Credit/Charge cardholders.

HDFC Bank was the first bank in India to launch an International Debit Card in association with VISA (VISA Electron) and issues the Master card Maestro debit card as well. The Bank launched its credit card business in late 2001. By March 2010, the bank had a total card base (debit and credit cards) of over 14 million. The Bank is also one of the leading players in the "merchant acquiring" business with over 90,000 Point-of-sale (POS) terminals for debit / credit cards acceptance at merchant establishments. The Bank is well positioned as a leader in various net based B2C opportunities including a wide range of internet banking services for Fixed Deposits, Loans, Bill Payments, etc.

INTRODUCTION OF STATE BANK OF PATIALA

The rich heritage of State Bank of Patiala dates back to the year 1917, when it was founded by Late His Highness Bhupinder Singh, Maharaja of erstwhile Patiala state, with one branch by the name of 'Chowk Fort, Patiala' to begin with. The Bank, then known as the 'Patiala State Bank' was state owned and setup for the explicit purpose of fostering growth of agriculture, trade and industry. The constitution, scope and operations of the Bank underwent a sea change with the formation of the Patiala and east Punjab States Union (PEPSU) in 1948. The Bank was then reorganized and brought under the control of Reserve Bank of India.

It was christened as the Bank of Patiala. Another milestone in history of the Bank was its becoming a subsidiary of the **State Bank of India** on 1st April, 1960 when it was named as the State Bank of Patiala and since then it has grown significantly both in size and volume of business. During these glorious years, the Bank has been playing an important role in banking sphere.

RESEARCH METHODOLOGY

In this paper an attempt has been made to study and compare the growth of SBOP and HDFC. The growth of the selected banks has been studied on the basis of various indicators. The growth of both the Banks are examine 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 web sites of the selected banks. I also visited various offices of SBOP and HDFC 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 2004-05 to 2009-10.

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 offerings 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 analyses and compares the growth and performance of HDFC and SBOP Bank .during the period 2004 to 2010.

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.

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 2004-2005 to year 2009-2010. The sample of study takes into account two banks one from private sector and one from public sector.

GROWTH OF HDFC AND STATE BANK OF PATIALA

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 HDFC bank and STATE BANK OF PATIALA. For analyze the growth of the selected banks under study for the period 2004-2005 to 2009-2010. 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

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 HDFC and SBOP banks have been shown in table 1.1.

Table 1.1
Growth in deposits

(Rs. In crores)

YEAR	HDFC	SBOP
2004-2005	36354	26496
2005-2006	55797	33778
2006-2007	68298	39184
2007-2008	100769	48571
2008-2009	142812	60006
2009-2010	167404	64552

(Source: Compiled from annual reports of both the banks for the period 2004-2005 to 2009-2010)

Figure 1.1 Growth in deposits

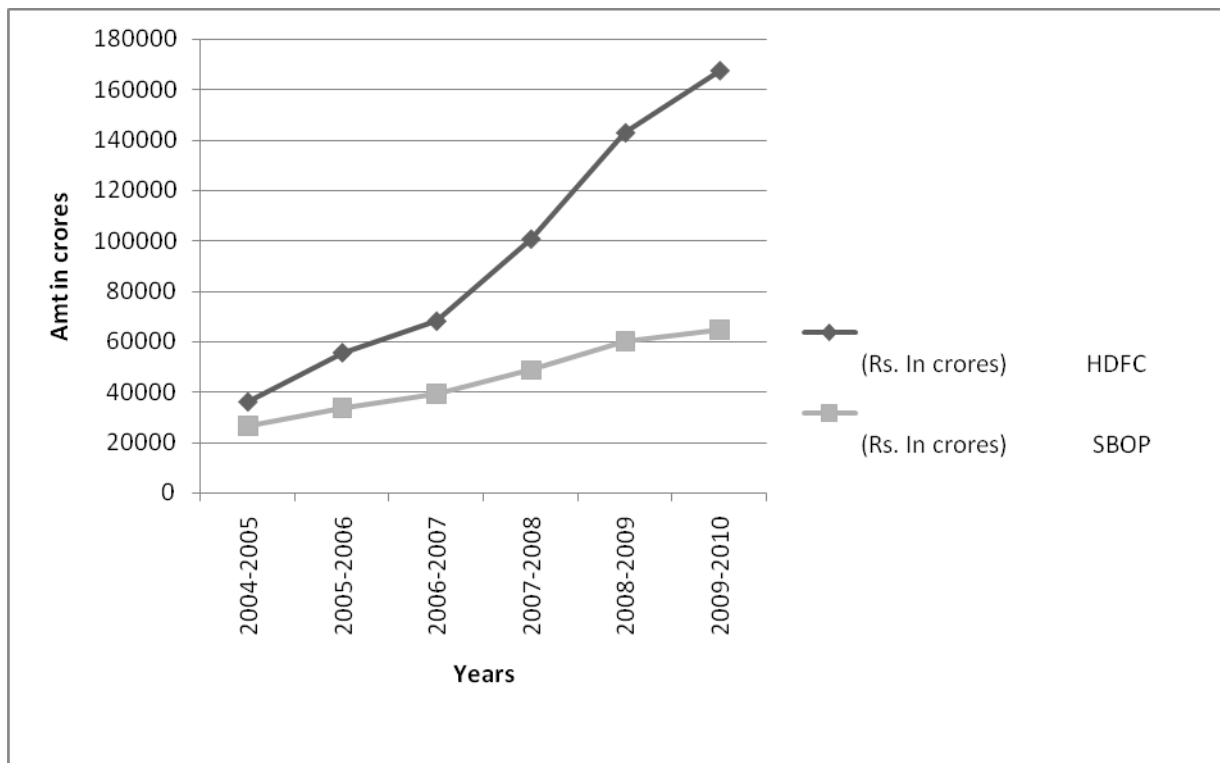


Table 1.1 shows that the deposits of HDFC bank have been increased from Rs.36354 crs. in year 2005 to Rs. 167404 crs in year 2010. Further the deposits of SBOP have been increased from Rs.26496 crs to Rs.64552 crs. The figure 4.1 shows that both the banks show the rising trend but there are more growth in deposits in HDFC Bank as compared to the SBOP.

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 HDFC and SBOP bank are given in table 1.2.

Table 1.2

Growth in number of branches (in crores)

YEAR	HDFC	SBOP
2004-2005	467	750
2005-2006	535	758

2006-2007	684	766
2007-2008	761	798
2008-2009	1422	846
2009-2010	1729	886

(Source: Compiled from annual reports of both the banks for the period 2004-2005 to 2009-10)

Figure 1.2 Number of branches

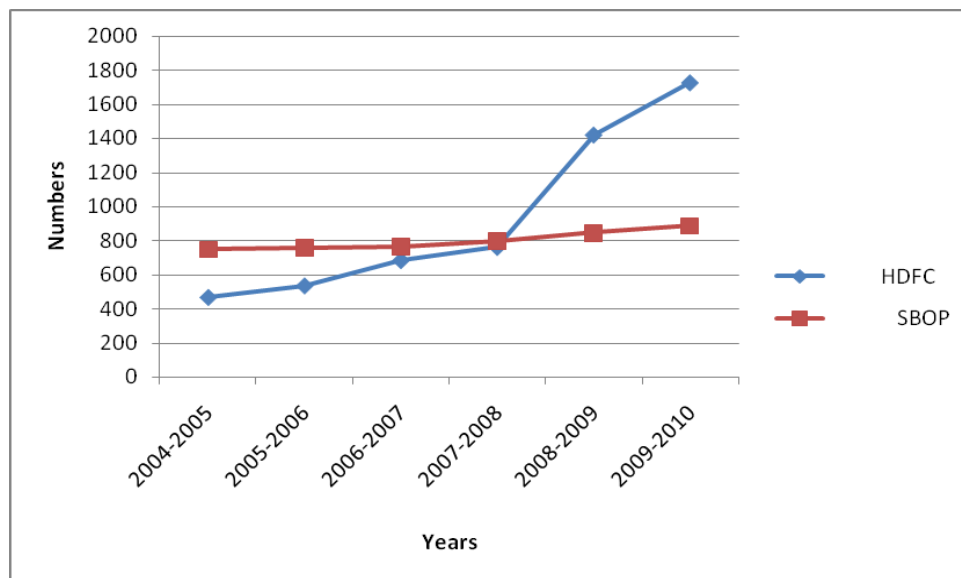


Table 1.2 indicates that the number of branches of HDFC bank is increased from 467 in year 2005 to 1729 in year 2010. the major growth was in the year 2008 -2009. Further there is uprising trend in case of SBOP .It increase from 750 in years 2005 to 886 in years 2010. But the growth in SBOP is not much higher as compared to HDFC. The SBOP bank has closed the 22 branches because these branches are in losses and open 18 new branches in the year 2009-2010.

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

YEAR	HDFC	SBOP
2004-2005	9465	10150
2005-2006	14878	11350

2006-2007	21477	11329
2007-2008	37386	11175
2008-2009	52687	11365
2009-2010	51888	12409

(Source: Compiled from annual reports of both the banks for the period 2004-2005 to 2009-2010)

Figure 1.3 Number of employees

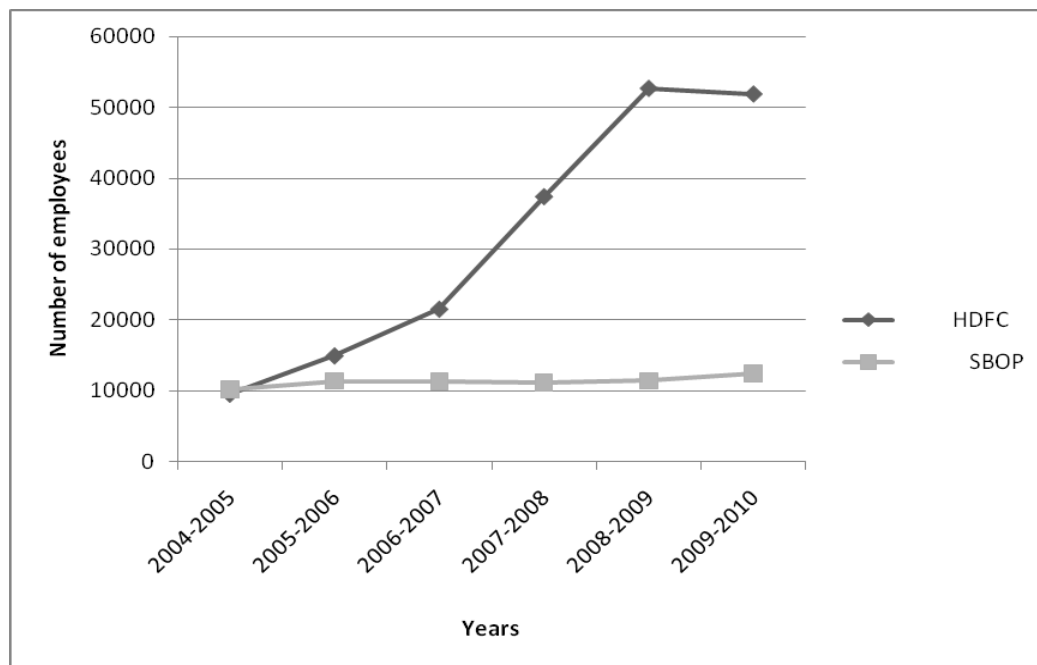


Table 1.3 shows that the number of employees in HDFC bank increased from 9465 in year 2005 to 52687 in year 2009. But in 2010 there is a slightly decrease in number of employees. In year 2010 there are 51888 employees. Further in case of SBOP there is an increasing trend .the number increase from 10150 in year 2005 to 12409 in year 2010. But the pace of growth is too much high as compared to SBOP. This too much growth in number of employees in HDFC bank leads to decrease in productivity because there is no much increase in profits and business according to the growth in number of employees.

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 deployment (Amt. in crores)

YEAR	HDFC	SBOP
2004-2005	25566	15359
2005-2006	35061	22810
2006-2007	46945	28770
2007-2008	63427	36400
2008-2009	98883	43587
2009-2010	125831	46347

(Source: Compiled from annual reports of both the banks for the period 2004-2005 to 2009-2010)

Figure 1.4 Credit deployment

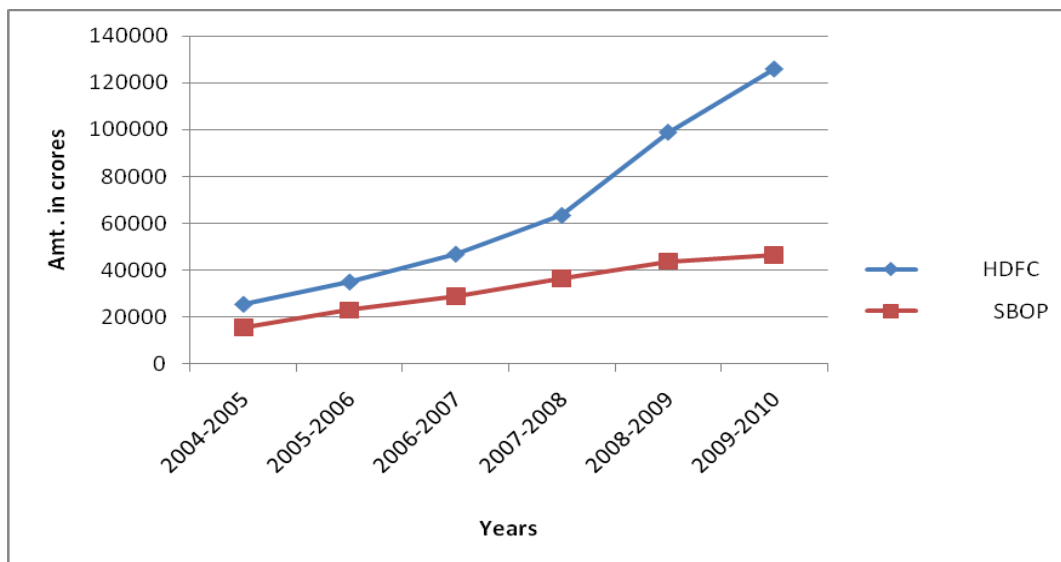


Table 1.4 depicts that the total advances of HDFC bank has been increased Rs. 25566 crs in year 2005 to Rs.125831crs in year 2010. There is 80% growth as compared to year 2005. Further in case of SBOP the advances are increased from Rs 15359 crs. In year 2005 to Rs 46347crs in year 2010. There is a growth of near about 67% as compared to year 2005. It is cleared that the growth rate of HDFC is more as compared to SBOP. But both the show a rising trend in advances.

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 HDFC bank and SBOP has been shown in table 1.5.

Table 1.5
Borrowings (Amt in crores)

YEAR	HDFC	SBOP
2004-2005	4790	560
2005-2006	2858	1251
2006-2007	2815	1741
2007-2008	4478	2894
2008-2009	9164	3105
2009-2010	12916	3422

(Source: Compiled from annual reports of both the banks for the period 2004-2005 to 2009-2010)

Figure 1.5
Borrowings

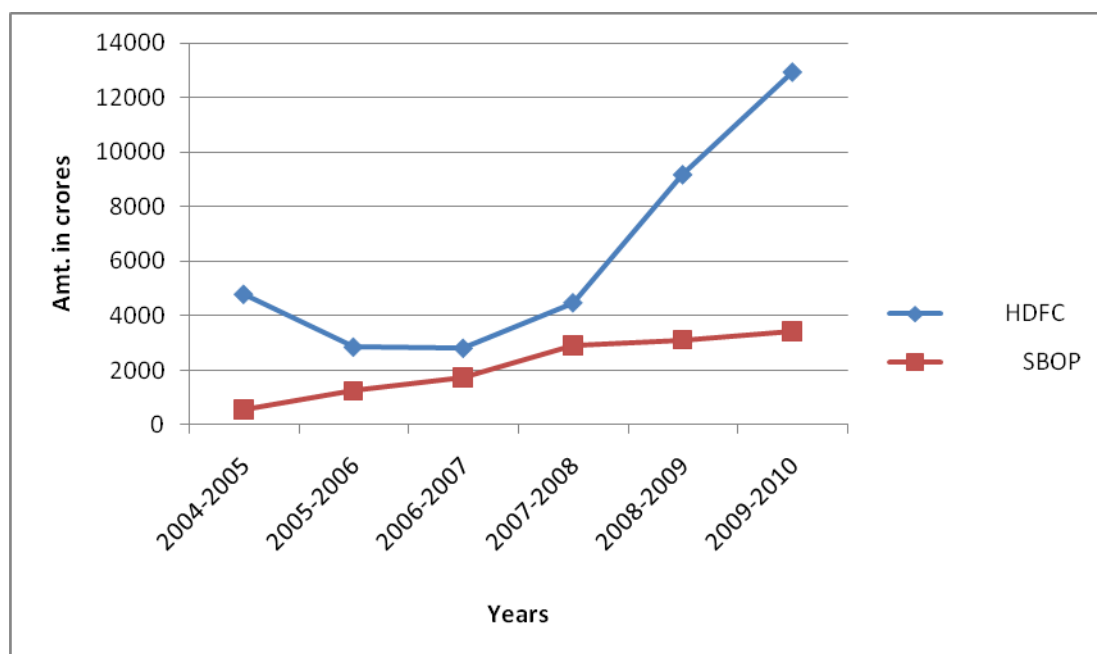


Table 1.5 depicts that the borrowings of HDFC bank has decreased from Rs.4790 crs in year 2005 to Rs. 2815 crs. in year 2007. After that there is an uprising trend after year 2007. It increases up to Rs.12916 crs in year 2010. Further in case of SBOP the borrowings are increased from Rs.560crs.toRs. 3422 crs in year 2010.

MAJOR FINDINGS OF THE STUDY

GROWTH OF HDFC BANK AND STATE BANK OF PATIALA

- Deposits of HDFC bank have been increased from Rs.36354 crs. in year 2005 to Rs. 167404 crs in year 2010. Further the deposits of SBOP have been increased from Rs.26496 crs to Rs.64552 crs. Both the banks show the rising trend but there are more growth in deposits in HDFC Bank as compared to the SBOP.
- The number of branches of HDFC bank is increased from 467 in year 2005 to 1729 in year 2010. The major growth was in the year 2008 -2009. Further there is uprising trend in case of SBOP .It increase from 750 in years 2005 to 886 in years 2010. But the growth in SBOP is not much higher as compared to HDFC.
- Number of employees in HDFC bank increased from 9465 in year 2005 to 525687 in year 2009. But in 2010 there is a slightly decrease in number of employees. In year 2010 there are 51888 employees. Further in case of SBOP there is an increasing trend the number increase from 10150 in year 2005 to 12409 in year 2010. But the pace of growth is too much high as compared to SBOP
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- Borrowings of HDFC bank has decreased from Rs.4790 crs in year 2005 to Rs. 2815 crs. in year 2007. After that there is a uprising trend after year 2007. It increases up to Rs.12916 crs in year 2010. Further in case of SBOP the borrowings are increased from Rs.560crs.toRs. 3422 crs in year 2010.

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 HDFC bank is higher as compared to SBOP 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 and private sector bank plays a crucial role in the economy.

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