Literature Review : Privatization of state-owned banks A boon or a bane

Journal Referred

1.International Journal of Advanced Research in Commerce, Management & Social Science (IJARCMSS) - October- December 2020 PRIVATIZATION OF INDIAN BANKING SECTOR-A BOON OR A BANE

2.Privatisation of Banks Boon or Bane Dr. Ravikiran R Garje HOD Economics, K C College, Mumbai

Article Refereed

1. Article by Rajiv Lall, ’Privatisation not a panacea for PSU banks’, September 10, 2014.
2. Article by S. S. Sagar Priyatham& K. Prathima, ’India: Do We Need To Privatise Our Banking Sector?’, 16 July 2002
3. Rudardatt and K P M Sundaram, Indian Economy, S. Chand & Company ltd. New Delhi.
4. The Advent of Modern Banking in India: 1720 to 1850s", Reserve Bank of India, retrieved 12 January 2015.
5. ii "Evolution of SBI", State Bank of India, retrieved 12 January 2015.
6. iii "Reserve Bank of India – About Us", Reserve Bank of India, retrieved 6 September 2019.
7. iv "List of Private Banks in India | Indian Money", indianmoney.com, retrieved 9 September 2021.
8. v "Five associate banks, BMB merge with SBI". The Hindu. April 2017. Archived from the original on 1 April 2017. Retrieved 30
9. August 2019.

Abstract

Summary of research papers on privatization of Indian banking sector

Paper 1: International Journal of Advanced Research in Commerce, Management & Social Science (IJARCMSS) - October- December, 2020

Title: PRIVATIZATION OF INDIAN BANKING SECTOR-A BOON OR A BANE

Authors: Dr. R. P. Meena, Dr. Shailendra Kumar

This study investigates the potential advantages and disadvantages of privatising the Indian banking sector. According to the authors, privatisation could result in a number of positive consequences, including:

1.Increased bank efficiency and profitability

2.increased banking sector investment

3.introduction of new products and services

4.Excellent client service

However, the authors admit that there are some hazards linked with privatisation, such as:

1. Poor and marginalised people have less access to banking services.

2. Increased interest rates and fees

3. Increased ownership concentration in the banking sector

The authors end by suggesting that the decision to privatise the Indian banking system is a difficult one. There are advantages and disadvantages to consider, and the government must carefully examine all of the variables before making a decision.

Paper 2: Privatisation of Banks Boon or Bane Dr. Ravikiran R Garje

Author: Dr. Ravikiran R Garje

This report also investigates the potential advantages and disadvantages of privatising the Indian banking sector. According to the author, privatisation could result in a number of favourable results, including:

1. Increased bank efficiency and profitability

2. increased banking sector investment

3. introduction of new products and services

4. Improved customer service

However, the author admits that there are some hazards linked with privatisation, such as:

1. Poor and marginalised people have less access to banking services.

2. Increased interest rates and fees

3. Increased ownership concentration in the banking sector

The author makes the case, in his conclusion, that before making a decision, the government should carefully weigh the potential advantages and disadvantages of privatisation. Before pursuing privatisation, the author further argues that the government should explore alternative strategies, such as overhauling the public sector banks.

Overall conclusion

Both study papers reach the conclusion that it is difficult to decide whether or not to privatise the Indian banking industry. There are benefits and drawbacks to take into account, and the government will need to carefully analyse all of the options before making a choice.

The documents however recognise that privatisation may come with some possible drawbacks, including a reduction in access to financial services for the underprivileged and marginalised, an increase in interest rates and fees, and a concentration of ownership in the banking industry.

All things considered, it's critical to have a fair conversation about the privatisation of the Indian banking industry. Before choosing a choice, it is critical to weigh the advantages and disadvantages that may be present.

Method

Bank one-year performance by business research technique can be calculated using a variety of different methodologies. The following are some of the most popular methodologies:

1. Return on assets (ROA): The ROA of a bank is determined by dividing net income by average total assets. It is a gauge of how well the bank uses its resources to make money.

2. Return on equity (ROE) is determined by dividing a bank's net income by the average equity held by shareholders. It is a gauge of how well the bank is turning a profit from the equity of its shareholders.

3. Net income growth rate: To calculate the bank's net income growth rate, first remove the prior year's net income from the current year's net income, and then divide the result by the prior year's net income. It serves as a gauge for the rate of expansion of the bank's profits.

4. Efficiency ratio: The bank's total operating costs are divided by its net revenue to get its efficiency ratio. It serves as a gauge for the bank's productivity.

5. Loan-to-deposit ratio: This ratio is computed by dividing the total amount of loans by the total amount of deposits at the bank. It is a gauge of how frequently loans are made using the bank's deposits.

These are but a few illustrations of the numerous various approaches that can be used to determine a bank's one-year performance. The particular research topic being asked will determine the methodology that is used. For instance, the researcher might utilise the ROA or ROE methodology to compare the profitability of several banks. The researcher may employ a more complex methodology, such as a time series model, if they are interested in predicting the bank's future performance.

It is crucial to remember that no one methodology is ideal. Each methodology has advantages and disadvantages of its own. As a result, it's crucial to select a technique that is appropriate for the particular research question being asked and to carefully analyse the limits of the chosen approach.

BAD LOAN WRITE-OFFS IN LAST 10 YEARS

(Rs/crore)

YEAR	PSU	PRIVATE	TOTAL
2009	1,594	570	2,165
2010	7,828	7,240	15,068
2011	17,729	2,570	20,299
2012	14,614	3,633	18,248
2013	26,524	5,025	31,549
2014	28,920	6,504	35,424
2015	46,179	6,767	52,947
2016	61,121	10,133	71,253
2017	75,929	13,119	89,048
2018	1,20,165	23,928	1,44,093
TOTAL	400,584	79,490	480,093

Source: ICRA

TOPPERS IN LOAN WRITE-OFFS

(Rs/crore)

Bank	Write-off in 2017-18	Total Write-off in 10 years
SBI	40,281	1,23,137
Bank of India	9,093	28,068
Canara	8,310	25,505
PNB	7,407	25,811
ICICI	9,110	24,493
AXIS	11,688	23,077
IOB	10,307	23,117
IDBI	6,632	19,546
ALLAHABAD	3,648	16,313
BoB	5,200	16,920

Source: ICRA

Branch expansion of scheduled commercial banks: 1952-2018

	Total	Rural	Share of rural branches (%)	Semi-Urban	Share of Semi-Urban branches (%)	Urban & Metropolitan	Share of Urban & Metropolitan branches (%)
1952	4,061	540	13	1942	48	1451	36
1960	5,026	831	17	2512	50	1633	32
1969	8,262	1833	22	3342	40	3087	37
1980	32,419	15105	47	8122	25	9192	28
1990	59,752	34791	58	11324	19	13637	23
2000	65,412	32734	50	14407	22	18271	28
2010	85,170	31845	37	21313	25	32012	38
2018	1,42,642	50748	36	39695	28	52199	37

Source: Handbook of Statistics on the Indian Economy & Volume IV (2006-08) of the Special Edition of the Report on Currency and Finance, RBI

Variables

As of August 8, 2023, there are no banks in India that have transitioned from public to private ownership.

In the foreseeable future, the Indian government intends to privatise two public sector banks, IDBI Bank and the Central Bank of India. If these privatisations are successful, they will be India's first banks to transition from public to private ownership.

There have been a few instances where Indian banks have merged with private sector banks in the past, but this is not the same as privatisation. In these circumstances, the resulting bank is still a public-sector institution.

In 2019, for example, Vijaya Bank and Dena Bank amalgamated with Bank of Baroda. Because Bank of Baroda is a public sector bank, the resulting bank is a public sector bank as well.

It should be noted that the privatisation of public sector banks is a contentious issue. Some feel that privatisation will increase the efficiency and profitability of these institutions, while others believe it will reduce access to banking services for the poor and marginalised.