

Analysis

Examining the Performance of Banks Operating in India: A Study for the Period 2005-10

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Abstract

The period between 2005 and 2010 can be said to be a time period in the whole world economy which is full of many ups and downs. The world economy was doing very well and suddenly there is the financial crisis throughout the world post layman brothers' collapse. Now the world economy is going through the recovery process. Despite all these, Indian economy is not adversely affected to that an extent. One of the main reasons for this was the strong financial system of India led by sound banking system. In this context, the article attempts to ROA, ROE, CD Ratio, Spread study the performance of various categories of banks, namely, public sector banks, old generation private sector banks, new generation private sector banks, SBI and its associate banks, foreign banks operating in India, for a period of five years from 2005-06 to 2009-10.

Key words: Financial Performance, NPAs, CAR

Introduction

India as an economy has come a long way since 1991 when we started the reform process popularly known as

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Liberalization Privatization Globalization (LPG). This reform process had opened up our economy to world and helped us to be on the high growth trajectory. Though we were little late in opening up our economy as compared to our nearest competitor China, yet it is not matter of big concern. India is currently reaping the benefits of opening up of the economy in 1991. When we speak of economic reforms; it is always inclusive of financial sector reforms because economy and financial sector are closely interdependent and interrelated to each other. Without a sound financial system, economic development is not possible. Further, sound economic system needs well developed economy. The financial sector plays an important role in the economy of any nation. A well-regulated and well-developed financial sector is vital to achieving the most basic need of efficient allocation of scarce resources. Enhancing efficiency and performance of the banks has been the key objective of reforms in India. Without a sound and effective banking system, India 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 study is primarily concerned with the performance of Indian banks under five different categories, namely, public sector banks, old generation private sector banks, new generation private sector banks, SBI and its associate banks, foreign banks operating in India, for a period of five years from 2005-06 to 2009-10.

Literature Review

Liberalization has positively affected the productivity and efficiency of the banking system in many countries and studies has been done on how far Indian banking has fared. Satyamurty (1994) explained the concepts of profit, profitability and productivity applicable to the banking industry. Bank managements argue that the pressure on profitability is more due to factors beyond their control.

Shah (1977), in his various papers, discussed bank profitability and productivity. He expressed concern about increased expenses and overheads. Slow growth in productivity and efficiency is due to wasteful expenditure of banks.

Verma (2000) analyzed the impact of IT on PSBs and NPSBs. IT is a threat for PSBs. With the business per employee, even for the front-run PSBs, a mere fraction of that of NPSBs, the PSBs have to do a lot on improving their productivity and efficiency.

Sathye (2001) have observed that the mean efficiency score of Indian banks compares well with the world mean efficiency score. He also observed that the efficiency of private sector banks as a group is paradoxically lower than that of public sector banks in India.

Cheema and Agarwal (2002) found that commercial banks operating in India are below the average level of efficiency.

R K Uppal (2010) observed that the Profitability in the Indian banking industry impresses to a large extent in the post e-banking era as compared to pre e-banking era.

B S Bodla (2010) in his study observed that the efficiency of private sector banks was acceptable during the study period which was from 1998-99 to 2005-06.

A Ramachandran and N Kavitha (2009) in their study for a period of 1996-97 to 2005-2006 examined some aspects of factors influencing total earning, total expenditure and the profitability of the Indian scheduled commercial banks. The

step-wise multiple regression analysis of the profitability used in this study discloses the relationship among the earning factors and expenses factors on the profitability of the banks. Most of the studies are based on the impact of liberalization on banking industry, profitability study, performance of private sector banks, but this paper lucidly presents the last 05 years performance of all the possible banking groups prevail in India and making a comparison study among these groups.

Objectives of the Study

In the era of globalization, Indian banks are facing a tremendous pressure from every angle and sustainability is a question. In this situation if any bank wants to sustain then it has to achieve financial and operational efficiency, cost minimization and NPA under control. Hence there is an urgency to examine how the banks have performed in the last 05 years. The objectives of this study are:

1. To study the last 05 years overall performance of the 05 banking groups in India and to make a comparison study of the performance of these groups.
2. To suggest strategies to enhance the productivity and profitability of all bank groups, especially PSU banks.

Methodology of the Study

The Indian banking industry can be categorized into five major groups, namely, nationalized banks, SBI and its associates, old private sector banks, new private sector banks, and foreign banks. The aggregates of the five categories are considered. The performance of the banks would be analyzed and compared in groups.

The study period

The article aims to analyze the performance of all bank groups, including the banking industry in the last five years i.e. 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10.

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Key variables

The various parameters which will be considered are Business per employee, Profit per employee, Return on Assets, Return on equity, Operating expenses as a percentage of total expenses, Credit deposit ratio, Investment deposit ratio, Spread as a percentage of assets, Net NPA to net advances and the capital adequacy ratio.

Data source

The study will mostly rely on secondary data which will be collected from various websites like www.iba.org.in, www.finmin.nic.in, www.rbi.org.in, www.ibif.org.in, www.idrbt.ac.in, www.arcil.co.in .

Statistical techniques used

The various statistical measures which will be used to compare the performance are Average Mean, Standard Deviation, Co-efficient of Variances and Simple growth rates.

Data Analysis and Interpretation

**Table 1: Business per Employee
(Rs in Crore)**

Years	Public Sector Banks	SBI & Associates	Old Pvt Sector Banks	New Pvt Sector Banks	Foreign Banks
2005-06	2.03	2.84	4.17	8.89	16.88
2006-07	4.74	4.39	4.75	8.3	12.36
2007-08	5.97	5.6	5.2	7.07	12.85
2008-09	7.47	6.89	5.86	7.44	13.86

2009-10	8.92	7.21	6.58	8.71	14.13
Growth Rate	339.41%	153.87%	57.79%	-2.02%	16.29%
AM	5.83	5.39	5.31	8.08	14.02
SD	2.64	1.81	0.94	0.80	1.76
CV	45.32	33.61	17.71	9.84	12.53

Source: compiled from www.rbi.org.in and www.iba.org.in

Business per employee: Business per employee is an important indicator of the efficiency of the banks. As we have taken data for last five years from 2005-06 to 2009-10, we can see from the following data that the growth rate in business per employee is highest in case of public sector banks, followed by SBI & associates and old generation private sector banks, while it is lowest in case of foreign banks operating in India. Another important observation is that except new generation private sector banks and foreign banks, all other bank's business per employee have grown over the last five years period of time.

Table 2: Profit Per Employee

(Rs in Lakhs)

Bank Categories	Public Sector Banks	SBI & Associates	Old Pvt Sector Banks	New Pvt Sector Banks	Foreign Banks
2005-06	2.75	1.9	1.69	6.92	10
2006-07	2.99	2.72	2.31	6.03	28
2007-08	3.94	3.56	4.37	4.97	43.63

2008-09	3.63	3.19	5.22	5.88	38.75
2009-10	4.51	3.34	3.8	7.75	20.34
Growth Rate	64.00%	75.79%	124.85%	11.99%	103.40%
AM	3.56	2.94	3.48	6.31	28.14
SD	0.71	0.66	1.46	1.06	13.62
CV	20.00	22.40	41.90	16.82	48.41

Source: compiled from www.rbi.org.in and www.iba.org.in

Profit per employee: Profit per employee of banks is another important indicator of the efficiency of the banks. Out of the five categories of banks, it is public sector which have highest growth rate in profit per employee, followed by old generation private sector banks, foreign banks, SBI & associates and new generation private sector banks respectively. The growth rate over the period of 2005-06 to 2009-10 is 339.41% in case of public sector banks whereas it is lowest in case of new generation private sector banks at only 11.99%. The trend is more or less same as is reflected by business per employee parameter. Foreign banks operating in India may be ranking at 3rd position as far as growth in profit per employee is concerned, but they have highest profit per employee at Rs 28.14 lakh, followed by new generation private sector banks at Rs 6.31 lakh, public sector banks at Rs 5.83 lakh, old generation private sector banks at Rs 3.48 lakh and SBI & associates at Rs 2.94 lakh. So we see SBI & associates are ranked at the last and their growth rate is also not very good. But foreign banks are very much ahead of other bank group and also have registered a very good growth rate at 103.40% over the said period of time. Standard deviation is highest in case of foreign banks indicating a greater variability in

average profit per employee. But this is a positive indicator for them as the variation is in increasing direction. SBI & associates are having least s.d indicating lesser variability in their profit per business. This means they are having a stable profit per employee. But they need to increase their profit per employee immediately as it is very much low as compared to other categories of banks. Their average profit per employee was Rs 1.90 lakhs in 2005-06 and reached to 3.34 in 2009-10. Coefficient of Variation C.V of the foreign banks and public sector banks is higher as compared to other categories of banks indicating a greater variability in average profit per employees. But the greater variability is due to the fact that their average profit per employee is increasing very fast compared to other.

Table 3: Return on Assets (Percentage)

Bank Categories	Public Sector Banks	SBI & Associates	Old Pvt Sector Banks	New Pvt Sector Banks	Foreign Banks
2005-06	0.88	0.95	0.54	1	1.61
2006-07	0.97	0.88	0.69	0.92	2.08
2007-08	1.05	0.855	1.19	0.96	2.61
2008-09	1.00	0.97	1.23	0.81	1.76
2009-10	1.00	0.98	0.87	1.1	1.12
Growth Rate	13.64%	3.16%	61.11%	10.00%	- 30.43 %
AM	0.98	0.93	0.90	0.96	1.84
SD	0.06	0.06	0.30	0.11	0.55
CV	6.41	6.05	33.53	11.11	30.18

Source: compiled from www.rbi.org.in and www.iba.org.in

Return on Asset: If we look at the following table, then we observe that average return on assets for SBI & associates is

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highest at 2.94%. It implies that SBI & associates earns Rs 2.94 on every Rs100 invested on their assets. Further, their return on assets is growing at a higher rate than compared to other categories of banks. Return on assets of foreign banks is the second highest at an average of 1.84%, but their ROA has declined by 30.43% over this period of five years from 1.6% to 1.12%. This is the only bank category whose ROA has declined during the said period of time. Old generation private sector banks have lowest ROA in last five years at an average of 0.90%. It implies that they earn only Rs 0.90 for every Rs 100 investment in their assets. But good that is that over the five years period, it has registered a growth rate of 61.11%. So, looking at the chart, we can say that public sector banks, old generation private sector banks and new generation private sector banks need to improve their ROA as they are behind SBI & Associates and foreign banks.

Table 4: Return on equity (Percentage)

Bank Categories	Public Sector Banks	SBI & Associates	Old Pvt Sector Banks	New Pvt Sector Banks	Foreign Banks
2005-06	14.65	18.76	8.13	12.39	11.72
2006-07	15.97	16.92	10.32	13.57	14.18
2007-08	17.09	18.097875	9.23	12.26	11.56
2008-09	18.05	20.86351429	11.38	9.66	13.75
2009-10	18.30	15.92	11.94	11.87	7.35
Growth Rate	24.91%	-15.14%	46.86%	-4.20%	-37.29%
AM	16.81	18.11	10.20	11.95	11.71
SD	1.52	1.89	1.55	1.43	2.71
CV	9.02	10.41	15.24	11.96	23.11

Source: compiled from www.rbi.org.in and www.iba.org.in

Return on Equity: Now if we look at the ROE of various bank groups, we find that SBI & associates are having highest ROE at 18.11%, followed by public sector banks, new generation private sector banks, foreign banks and old generation private sector banks. As far as growth in ROE over last five years is concerned, old generation private sector banks are impressive. In fact, by the end of 2010, ROE of private sector bank became higher than foreign banks and new generation private sector banks. This is because foreign bank's ROE declined by 30.43% from 11.72% in 2005-06 to 7.35% in 2009-10. Further, S.D and C.V show that public sector banks are having more stable ROE whereas foreign banks are having highest fluctuating ROE over this period of time. This is clearly evident from the decrease of ROE of foreign banks. Public sector banks' ROE has increased from 14.65% in 2005-06 to 18.30% in 2009-10. So, we can say that SBI & associates had highest ROE, old generation private sector banks had highest growth rate of ROE and public sector banks had most stable ROE over the last five years time period.

Table 5: Operating expenses as a % of total expenses

Years	Public Sector Banks	SBI & Associates	Old Pvt Sector Banks	New Pvt Sector Banks	Foreign Banks
2005-06	32.74	35.95	35.88	35.58	53.2
2006-07	29.38	32.9	31.77	31.54	50.41
2007-08	22.45	26.22	24.52	30.65	49.44
2008-	21.76	24.54	23.49	28.79	48.96

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2009-10	22.69	27.56	23.4	32.6	55.42
Growth Rate	-30.70%	-23.34%	-34.78%	-8.38%	4.17%
Average	25.80	29.43	27.81	31.83	51.49
S.D	4.95	4.80	5.70	2.52	2.74
CV	19.20	16.32	20.48	7.91	5.33

Source: compiled from www.rbi.org.in and www.iba.org.in

Operating expenses as a % of total expenses: Now when we see the operating expenses as a % of total expenses of various categories of banks, we see that except foreign banks, all other categories of banks are having a declining trend in their operating expenses. We can observe from the following chart that public sector banks are having lowest operating expenses as a % of total expenses whereas foreign banks are having highest operating expenses. This is mainly because public sector banks are now reaping the benefits of rationalizing its employee costs and undertaking other cost-reduction initiatives, which is a welcome sign in terms of the banks' financial performance. Another important observation is that all Indian origin banks are having much lower operating cost as compared to the operating cost of foreign banks which is not only on the higher side but also increased over this period of time. With advancement in technology and information system, banks can further reduce operating cost and enhance their profitability.

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Table 6: Credit Deposit Ratio

Bank Categories	Public Sector Banks	SBI & Associates	Old Pvt Sector Banks	New Pvt Sector Banks	Foreign Banks
2005-06	68.01	56.31	64	77	87.18
2006-07	61.71	76.13	67	78	85.77
2007-08	65.26	76.62	67.44	79.84	84.6
2008-09	70.91	73.44	64.49	78.13	77.25
2009-10	70.70	77.44	67.05	80.86	68.64
Growth Rate	3.96%	37.52%	4.77%	5.01%	-21.27%
AM	67.32	71.99	66.00	78.77	80.69
SD	3.89	8.89	1.62	1.55	7.75
CV	5.78	12.35	2.45	1.97	9.60

Source: compiled from www.rbi.org.in and www.iba.org.in

Credit Deposit Ratio: During last five years, SBI & associates registered a very good growth rate in their credit-deposit ratio by 37.52% whereas foreign banks' credit deposit ratio fell by 21.27% over the same period of time. If we look at the table above, we can notice a very significant observation. In 2005-06, foreign banks were having highest credit deposit ratio, whereas in 2009-10 their credit deposit ratio of lowest of all the bank categories. For every Rs 100 that banks contract as deposit, about Rs 30 goes for reserve allocations, Rs 24 has to be put in government securities and another Rs 6 kept as cash reserve ratio. So an ideal CD ratio should be anywhere between 65 to 75 per cent. If credit

deposit ratio is low, it means banks have not created enough loan assets which will have a negative impact on the profitability of the firm. On the other, too high liquidity ratio will mean adverse liquidity position resulting in increase in interest rates. So, credit deposit ratio should neither be too low or too high. If we say ideal credit deposit ratio is 65% - 75%, then almost all the bank categories credit deposit ratio during last five is in the same bracket, excepting new private sector banks and foreign banks which having a slightly higher credit deposit ratios.

Table 7: Investment-Deposit Ratio

Bank Categories	Public Sector Banks	SBI & Associates	Old Pvt Sector Banks	New Pvt Sector Banks	Foreign Banks
2005-06	37.85	46.5	34.69	45.41	49.61
2006-07	32.44	33.45	31.57	41.33	47.09
2007-08	31.31	34.09	32.66	41.27	57.76
2008-09	30.35	35.51	36.33	41.63	60.89
2009-10	31.25	30.22	36.32	43.04	66.97
Growth Rate	-17.44%	-35.01%	4.70%	-5.22%	34.99%
AM	32.64	35.95	34.31	42.54	56.46
SD	3.01	6.21	2.15	1.76	8.16
CV	9.21	17.26	6.27	4.14	14.46

Source: compiled from www.rbi.org.in and www.iba.org.in

Investment Deposit Ratio: Banks with higher investment ratio can earn more and banks with lower in investment ratio will earn lesser. If we look at the above table, we find that average investment deposit ratio of foreign banks group is

highest at 56.46 percent and public sector banks group is having least investment deposit ratio at 32.64 percent. This ratio is directly related with the profitability of banks. Further, what is more significant in case of foreign banks is that their investment deposit ratio over the last five years have registered a growth rate of 34.99% which is very impressive considering that almost all other bank groups have reported negative growth rates in their investment deposit ratio.

**Table 8: Spread to total assets
(Percentage)**

Bank Categories	Public Sector Banks	SBI & Associates	Old Pvt Sector Banks	New Pvt Sector Banks	Foreign Banks
2005-06	3.04	3.44	2.57	3.38	3.54
2006-07	2.66	2.59	2.74	2.36	3.99
2007-08	2.17	2.24	2.4	2.39	3.78
2008-09	2.21	2.14	2.56	2.74	3.93
2009-10	2.17	2.24	2.41	2.75	4.03
Growth Rate	-28.62%	34.88%	-6.23%	-18.64%	13.84%
AM	2.45	2.53	2.54	2.72	3.85
SD	0.39	0.54	0.14	0.41	0.20
CV	15.89	21.21	5.50	15.08	5.18

Source: compiled from www.rbi.org.in and www.iba.org.in

Spread to total assets ratio: From the above table, we can clearly observe that spread to total assets ratio of all bank groups except foreign banks have declined. One reason for the declining trend in spread to total assets ratio of specially public sector banks is that earlier public sectors banks, which

really shore up the NIM, had not woken up to the potential for fee income. Now that they have woken up to the potential for fee income, they are in a position to offer a lower net interest margin. In addition, Indian market is far more competitive, if we compare the market share of top five banks which are around 40% for India, whereas in a Latin American country, it is around 70-80%. The margins could have been higher, but there is more competition. In an economy like Taiwan where competition is intense, net interest margins are under 1.5%. NIM is the first line of defense that a bank has against credit costs. Although the NIMs of domestic banks had come down to 2.5 per cent from 3 per cent earlier, they were higher than those prevailing in several emerging market economies even after accounting for mandated social sector obligations such as priority sector lending and credit support for the government's anti-poverty initiatives. Domestic banks should now focus on optimizing operating costs that included non-interest expenses such as wages and salaries, and transaction costs. Currently, there are 34 foreign banks in India who account for a little over 7 per cent of the total assets of commercial banks. The average spread to total assets ratio of the foreign banks is better than other categories of banks in India.

Table 9: Net NPA as a % net advances

Years	Public Sector Banks	SBI & Associates	Old Pvt Sector Banks	New Pvt Sector Banks	Foreign Banks
2005-06	2.03	1.07	1.65	0.78	0.83
2006-07	0.94	0.86	0.96	0.98	0.73
2007-08	0.74	0.78	0.66	1.21	0.77
2008-09	0.70	0.8	0.9	1.4	1.13

2009-10	0.96	1.02	0.82	1.09	2.02
Growth Rate(%)	-52.71	-4.67	-50.30	39.74%	143.37
AM	1.07	0.91	1.00	1.09	1.10
SD	0.55	0.13	0.38	0.23	0.54
CV	50.92	14.51	38.22	21.41	49.26

Source: compiled from www.rbi.org.in and www.iba.org.in

Net NPA as a % of Net Advances: From the above table, we can see that almost all the bank groups except foreign banks have witnessed a declining trend in their net NPA. When we look at the average net NPA as a % of Net Advances of various banks group over last five years time period, we see that there is very less gap between them. All are around 1%. On the basis of Net NPA as a % of Net Advances, we observe that SBI & associates are best at 0.91%, followed by old generation private at 1.00%, followed by public sector banks at 1.07%, followed by net generation private sector banks at 1.09% and foreign banks at 1.10%. So, there is very less to differential between them on the basis of Net NPA as % of Net Advances.

Table 10: CAR – Basel 1

Years	Public Sector Banks	SBI & Associates	Old Pvt Sector Banks	New Pvt Sector Banks	Foreign Banks
2005-06	12.85	12.15	5.54	12.36	35.42
2006-07	12.21	12.23	13.66	12.17	38.99
2007-08	11.13	12.57	16.2	13.81	49.06

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2008-09	11.60	12.07	16.56	15.19	74.09
2009-10	12.00	12.28	15.56	16.76	44.01
Growth Rate	-6.61%	1.07%	180.87%	35.60%	24.25%
AM	11.96	12.26	13.50	14.06	48.31
SD	0.65	0.19	4.59	1.94	15.30
CV	5.41	1.56	33.99	13.82	31.67

Source: compiled from www.rbi.org.in and www.iba.org.in

Capital Adequacy Ratio (CAR): From the above table, we see that all the banks groups are having a capital adequacy ratio not only well above the minimum requirements but also above the banks of developed countries. Foreign banks are very much comfortable with an average CAR of 48.31. The main reason for this is their poor deposit base. The old generation private sector banks and new generation private sector banks are also well above the minimum requirement of 9% and 10% with an average CAR of 13.50% and 14.06% respectively during last five years. Public sector banks and SBI & associates are also well above 9% requirement with their average CAR being 11.96% and 12.26%. Over this time period, old generation private sector banks have recorded a significant growth rate of 180.87% in their CAR and increase it from mere 5.54% to 15.56%. New sector private sector banks as well as foreign banks also recorded a growth rate of 35.60% and 24.25% in their CAR during last five years time period.

Performance Rating

After analyzing the performance of the various five categories of banks group, we can rank their performance over last five years. After ranking them, we can find a quantitative score for their performance over last five years. To obtain score, we can assign numerical values for various ranks as below:

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Table 11: Performance Rating

Parameters	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5
Business per employee (Cr)	Foreign Banks	New Pvt Sector Banks	Public Sector Banks	SBI & Associates	Old Pvt Sector Banks
Profit per Employee (lakh)	Foreign Banks	New Pvt Sector Banks	Public Sector Banks	Old Pvt Sector Banks	SBI & Associates
ROA	SBI & Associates	Foreign Banks	Public Sector Banks	New Pvt Sector Banks	Old Pvt Sector Banks
ROE	SBI & Associates	Public Sector Banks	New Pvt Sector Banks	Foreign Banks	Old Pvt Sector Banks
Operating expenses as a % of total expenses	Public Sector Banks	Old Pvt Sector Banks	SBI & Associates	New Pvt Sector Banks	Foreign Banks
Spread as a % of total assets	Foreign Banks	New Pvt Sector	Old Pvt Sector Banks	SBI & Associates	Public Sector Banks
Net NPA as a % net advances	SBI & Associates	Old Pvt Sector Banks	Public Sector Banks	New Pvt Sector Banks	Foreign Banks
CAR - Basel 1	Foreign Banks	New Pvt Sector Banks	Old Pvt Sector Banks	SBI & Associates	Public Sector Banks

Rank 1 = 5, Rank 2 = 4, Rank 3 = 3, Rank 4 = 2, Rank 5 = 1.

The ranking of these banks is done on the basis of eight parameters only. We have excluded credit deposit ratio and investment deposit ratio because almost all the banks fall in the optimum range as far as these ratios are concerned and these is very less to differentiate between banks groups on the basis of these ratios

. The score for various banks group is as below:

Table 12: Performance Scores

Public Sector Banks	24
SBI & Associates	22
Old Pvt Sector Banks	19
New Pvt Sector Banks	26
Foreign Banks	29

When this score is converted on a five point scale, we get the following results:

Table 13: Performance Scores on a 5 Point Scale

Public Sector Banks	3.00	3rd Rank
SBI & Associates	2.75	4th Rank
Old Pvt Sector Banks	2.38	5 Rank
New Pvt Sector Banks	3.25	2nd Rank
Foreign Banks	3.63	1st Rank

Conclusion and Suggestion

This paper has studied the financial and operational efficiency of the Indian banks in depth. On the basis of these studies, we can find that the performance of foreign banks are better than all other banking groups, where as the performance of new pvt sector Indian banks is also aggressive. Overall, going by the results, public sector banks have performed well during the last five years time period. Earlier PSU banks were termed as inefficient and non-profitable banks. But from this study it can be inferred that they have done well to overcome that phase. Their performance over last five years has really been very impressive. They are now well competitive with not only other banking groups in India but also to the banks of developed countries in the world. The performance of banking groups, especially public sector banks, can be further improved to face the new global challenges. In order to prepare for these challenges, the following suggestion may help:

- Banks should become more customer-centric, and thereby can offer a wide range of products through multiple delivery channels;
- Banks need to be more proficient in managing assets and liabilities according to risk and return;
- Banks should increase their Investment in technology for better MIS, product development (including derivatives), risk management, funds management and customer service; and
- Greater attention should be given to profitability, including cost reduction and increasing fee-based income. This is very important as the net interest margin of all banks is declining in the new competitive global environment.

Apart from employee motivation, another important factor is profitability. To improve the profitability the PSU banks

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should concentrate on the customer service and should come with innovative products to increase sales opportunities. PSU banks are generally incurring lots of expenditure in their employees for space and man power. So they should utilize the space and man power more effectively.

Limitations of the Study

The article attempts to study the performance of the Indian banks under different category for a period of five years only. Thus, the study period is too small for a type like this. Again, it is mostly based on secondary data published by various agencies. No primary data are being collected for the study. Number of parameters which is included for the purpose of study has been kept to ten only, which could have been extended. So, there may be some other significant parameters which might affect performance of banks, but they could not be included in the study.

Scope of further Study

The article keeps the scope of further study wide open. Further studies may be conducted in the following areas:

- Performance of banks at the employee level;
- Liberal policies and their impact;
- Nonperforming assets ;
- Intelligent capital and bank performance; and
- The Indian banking industry and inclusive growth

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