Chapter-II

REVIEW OF LITERATURE
AND RESEARCH DESIGN
In chapter-1 the concept of banking, definition of banking, types of banks, history of banking in India, the various committees on banking industry, milestones in the growth of Indian banking, structure of banking industry and the like were discussed in detail. In the present chapter, an attempt is made to present the Review of literature, Research design, Objectives of the study, Hypothesis, Methodology, and the Plan of the study.

The banking industry in India has vast history, which covers the traditional banking practices from the time of Britishers to the modern practices of nationalization, liberalization, privatization and globalization (LPG) of banks and reforms period. Therefore, Banking in India has been a long journey. Review of literature on such a vast topic is much relevant for the present study. Due to literature review, the possibility of repetition of study can be eliminated and another dimension can be selected for the study. The literature review helps researcher to remove limitations of existing work or may assist to extend prevailing study. The literature has been collected from books, journals, reports of published and unpublished sources and websites.

**Review of Literature**

Several researchers in the past have conducted innumerable researches to analyze the different aspects of commercial banks in India and abroad. But researches on financial performance of recently emerged Indian banks are very scant. The literature on available research is divided into various categories such as management of risks, growth of banking, market discipline and transparency, human resource management, global banking, financial inclusion, employees’ retention and performance. Some organizations like Reserve Bank of India (RBI) Indian Banks Association (IBA), State Bank of India (SBI) and ICRA have conducted several research studies on various issues relating to banking. Banking journals/periodicals like ‘Bank Quest’, ‘The Banker’, RBI occasional papers, RBI bulletins and general magazines like Business Today, Business India, Finance India, have been publishing papers on various aspects. Some studies and papers relevant to the present study are reviewed and presented in this chapter.
Deena, R., Khatkhate and Klaus-Walter Riechel, (1980)¹ in their research paper entitled “Multipurpose Banking: Its nature, scope and relevance for less developed countries” have delineated the role, nature and scope of multipurpose banks in India and pointed out their relevance for less developed countries that are undertaking deliberate programmes to develop their financial systems. The authors have discussed the historical evolution and nature of universal banking, by using a specific criteria for evaluating multipurpose banking and the like.

Singh, S. (1981)², has undertaken a research work on “Commercial Banking in India, Retrospects & Prospects”. He has emphasized more on the restructuring of banks, greater decentralization, computerization, innovative banking and induction of more technical people in the banking industry. There is advancement in the banking sector during the current decade. The banks should face lot of challenges in the coming future. It would be better if all the parties concerned take stock of situation immediately and make necessary preparations for facing the emerging challenges boldly and successfully in the banking industry in India.

Rajeev Khosla (1990)³ has analyzed the meaning of society and the importance of deposit mobilization in his article entitled “Deposit mobilization”. He stated that the Deposit mobilization plays an important role in a society like ours. It is made specially for fulfilling three needs or functions of the society.

- a. Creation of the saving habit in the society
- b. Raising of funds for the purpose of investment.

The author has stressed more on the saving habit and banking habit of the society which are important factors for improving the health of the banks.

Nawab Alikhan (1990)⁴, in his article entitled ‘Commercial Banking in Indian Perspective’, has analysed the performance of the Commercial Banks and their developments. The developments in the commercial banking system have resulted in some problems and challenges, on which he has emphasized more. He has also stressed more on the rural indebtedness which is increasing day by day and the recovery of loans that has become a difficult job. So, in the research article mentioned above, the author has emphasized more on the success of banking industry after nationalization.
Satya Sundaram, I (1991), has brought out a number of measures to slow down the industrial sickness in India in his article entitled “Banks and Industrial Sickness”. The growing sickness in the industrial sector results in colossal wastage of physical, financial and human resources which a developing country like India cannot afford. If banks play a major role to curb the industrial sickness by financing sick units without caring to remove the causes of sickness, banks themselves will become sick. Hence the problem of sickness should be solved on a war footing rather than extending credit to the sick units.

Grosses, Robert and Lawrence G. Goldberg (1991), in their research paper entitled ‘Foreign Bank Activity in the United States: An analysis by country of origin’, have assessed the activities of some of the foreign banks in USA. The foreign banks in the USA have grown rapidly, particularly Japanese banks. The observed results show that foreign investments in United States and the foreign trade in United States, and the size of the banking sector in the foreign country are positively correlated. They also observed that the poor and less stable countries like African countries have greater penetration of foreign banks to catch hold of their resources, and there is no bar on the geographic distance for the banks.

Jagannathan, C (1991), has opined in his paper on “Banking in the 1990s: Challenges, Possibilities, Pitfalls and Promises” that the banks play an active role in the economic development of the country and have traversed a long way in achieving the objectives of nationalization. Given the trend, both national and international demands on the banking system during the 1990s will be much greater than it has been in the recent past. He has explained more on the recent trends in the banking system, like Computerisation, Core banking, e-banking, Electronic clearing service, Electronic funds transfer system and the like.

Mahalingam, N (1991) has made an attempt to examine the positive role of non-banking finance sector in extending credit to the society in his paper on “Positive role of non-banking finance sector”. He stressed more on the changed economic situation and the role of finance companies that play a major role in bringing about a fast expansion of activities.
Xavier, V.M (1991)\(^9\) in his research article entitled “The Service Cooperative banks in Kerala” has stated that the service cooperatives are multipurpose societies which have taken up the total responsibility of developing the villages economically by providing all the essential supplies and services necessary for increasing agricultural production. The service cooperatives have not yet been organized in our country as separate institutions. Only the existing credit societies in the villages have been converted into service cooperatives. The service cooperative societies are involved both in banking and non-banking activities. The important non-banking activities of the service cooperatives are running of consumer stores, textile stores, medical stores and maveli stores. But the societies are lagging far behind the modern commercial banks in providing a full range of banking services to its customers. It is not even providing draft facilities and no step had been taken to introduce this essential service. So, customers in some parts of Kerala are dissatisfied not only with the complete absence of services referred above, but also with quality of services actually available. He has concluded that if efforts are made to reduce the establishment charges and increase the advance to service areas the societies can earn profits.

Mallya, P.S.V (1991)\(^10\) in his article ‘Modern trends in Banking Industry-Developmental role in Karnataka’ has analyzed the modern trends in banking industry. The evolution of banking system was divided into three phases. The first phase, stretching upto nationalization, has been one of the guarded traditional banking with small time innovations. In the second phase, the nationalization of some of the banks in July 1969 has been an upshot of diversification which gave a quantum leap in branches, deposits and advances on one side, and qualitative thrust to the national policies of social and development banking on the other, creating in the process a certain ‘trendiness’. The third phase, which can be termed as innovative modern banking phase, has unleashed diversification into untraditional areas of banking business aimed at commercial viability. Banking products and services like merchant banking, leasing, mutual funds, credit cards, venture capital, housing finance and the like have come up. Further, the author has examined the multi-pronged role of banks, and discussed its functioning. Lastly he analyzed the developmental role of banks in Karnataka and banking network of Karnataka in a lucid manner. He has compared the population group-wise branch network figures of Karnataka (in percentage) with all
India figures, and shown that some of the Karnataka branches stood in the forefront of development.

Ramesh Gelli (1991)\textsuperscript{11} in his article entitled ‘Financial Sector Reforms: Some perceptions on Banking Industry’ has stated that the performance of banks has become critical in the present contest of competitive market. So, financial sector reforms are likely to have its consequences in every sector of the economy. The government is moving with considerable care and caution and has appointed many committees to make recommendations.

John G. Quinton (1991)\textsuperscript{12} in his article entitled “Commercial Banking: The Changing Global Scenario” has analysed the performance of the commercial banks under reforms. The commercial banks now have to think ‘globally’ and act ‘locally’ to serve the requirements of the highly sophisticated multinationals which are increasing dominantly in the industrial world. He has suggested that there is a need for the global market place which will accelerate domestic markets under the present era of globalization.

Rao, V.L (1991)\textsuperscript{13} in his book ‘Indian Banks Abroad’ has tried to evaluate the performance of the foreign branches of Indian domestic banks in terms of macro-level policy objectives i.e. earning foreign exchange, expanding India’s foreign trade, assessing India’s joint ventures abroad and channeling capital & technology into India. As such, the major focus is on the role of the controlling authorities, viz the RBI and the Government. On the other hand, it also tries to cover operations of the international banks which are more busy in doing business during the last twenty years when the world banking has undergone great transformation, largely as a result of technological change. The author has used secondary data and tried to show why the domestic branches of major Indian banks have failed not only in achieving national policy objectives but also to satisfy even in respect of catching up with recent development in international banking.

Gokhale, H.V (1992)\textsuperscript{14} has emphasised the role of Bank of India as the Lead Bank in Chandrapur District in Maharashtra as an under banked one with special emphasis on priority sector in his article ‘A Study of Bank of India as Lead Bank in Chandrapur District with special emphasis on priority sector’. The main objectives of
the study were to examine the evolution, formation and implementation of Lead Bank Scheme and to evaluate various programmes under the credit plans and action plans. Taking into consideration the basic idea underlying the area approach, a committee under the Chairmanship of Sri F.K.F Nariman made specific recommendations for setting up ‘Lead Bank’ in underbanked districts like Chandrapur District. The main idea behind the ‘Lead Bank’ scheme is to

a) survey the resources and potential for banking development in Chandrapur.

b) examine the facilities for marketing of agricultural produce, storage and warehousing space

c) survey the facilities for the stocking of fertilizers.

The author has concluded that Chandrapur District of Maharashtra will stand in the forefront in fulfilling all the above requirements in future.

**Lambo, E and Akpan, J.L (1992)** in their research article entitled ‘The performance of ‘Merchant Banks’ in Nigeria: An inter-firm and inter temporal analysis’ have given an elaborate account on Merchant Banks and their performance in Nigeria, Africa. According to them the Merchant banking had originated from Europe. It is also a financial institution engaged in investment banking, apart from a variety of other services like insurance, the acceptance of foreign bills of exchange, dealing in bullion market and participating in commercial ventures. The authors have analyzed the significant difference in the performance of the Merchant banks and the Commercial banks in Nigeria. For this, they have used the regression analysis and ratio analysis for inter-firm comparison. The authors concluded that the post-war period witnessed the rapid growth of Merchant banks through the innovation of instruments such as Euro-Dollars, and the growth of various financial centres like Singapore, Hong-Kong, Dubai and the like.

**Debasish Banerjee (1992)**, in his research paper entitled ‘Crisis of Banking Sector: Recommendations of the Narasimhan Committee’ has stated that the performance of the banking sector was evaluated in the light of their physical growth and not from the productivity/profitability angle in the first decade of post-nationalization era. So, the banks business grew up in size but the value added concept was neglected. The operations of the most of the public sector banks did not result in any surplus creation. The administrative cost and fixed overhead costs grew
up heavily but the income did not grow up. Again due to poor recovery management policies, the outstanding over dues deposits of banks gradually reached an alarming situation and instead of being self dependent, the majority of the public sector banks became loss making units and their future prospects became so bleak that the government also began to think the alternative remedial measures for rejuvenating them. So, the government appointed a committee under the chairmanship of Mr.M.Narasimhan in August 1991 to make recommendation about the remedial measures that will revitalize the banking industry. The committee suggested certain drastic and time consuming measures including restructuring of nationalized banking sector, de-regulation of interest rates, lowering of reserve requirements, abolishing urban branch licensing policy, granting of internal administration, liberalized licensing for opening foreign bank branches and the like.

Sadare, A.M (1992)\textsuperscript{17} has opined in his research paper entitled ‘Profitability in Banks’ presented at the ‘Bank Economists’ conference held at Baroda in 1992; that improving profitability is important to nationalized banks because social obligations have been a cost to them cannot be performed without adequate profit. Subsidization of priority sector cannot be carried out unless the overall profitability is there. He has quoted the words of Sri R.N.Malhotra, the then Governor, RBI, that ‘Banks should make special efforts to improve their profitability by way of raising their productivity and creating cost consciousness at all levels’. He has also quoted the remarks of Dr.C.Rangarajan, the then Deputy Governor of RBI, that ‘Improving profitability of banks has been an area of great concern both to the RBI and the government of India’. The author argued that banks should improve their profitability through increased efficiency viz., improving the quality of loan assets, which in turn require better credit appraisal and better monitoring. He said that it is for banks to use the opportunities created and step up their efficiency. Further the author has analyzed the profitability in public sector, private sector and foreign banks over a period of six years from 1985 to 1990.

Goiporia, M.N (1992)\textsuperscript{18} has delivered his valedictory address at the ‘Syndicate Bank Economics Conference’. The theme of the conference is ‘Banking for better profitability’. In his valedictory address he has highlighted the theme, and said that one of the important objectives of banking is to optimize the profits. ‘Profits
are not a taboo to the public sector banks, if they are booked without ignoring the social goals. If the profits are flowing after the overall goals are met, it is a matter to be proud of’, said the author in his speech. He has highlighted five important points to reach the goal of profits. They are

1. Priorities for profitability
2. Fund based operations
3. Non-fund based operations
4. Priority sectors
5. Merger of small banks and the like

In his speech he has highlighted the step-motherly treatment being meted out to public sector banks in spite of their predominant role in mobilization made to the substantial contribution. He concluded that despite massive working funds, public sector banks were not able to show better results due to high cost of operation on account of priority sector advances.

**Ramachandra Rao, B (1994)**, has conducted a study on the topic entitled “Performance Appraisal of Four Associate Banks” has found that in the Indian contest, performance of banks cannot be evaluated merely by considering only one bank. So, he has taken up for performance evaluation of four associated banks of the State Bank Group i.e. State Bank of Hyderabad (SBH), State Bank of Travancore (SBT), State Bank of Patiala (SBP) and State Bank of Mysore (SBM) by using various parameters like deposits, advances, NPA, profitability and the like.

**Rangarajan, C (1994)**, has focused his attention on the significant changes that have occurred in the Indian banking system recently. In his study he analysed the present financial system of the country and opined that there is no doubt that the Indian financial system will grow in size and complexity in the years to come. The mission of the financial system in the coming years should be to cut costs, improve productivity and offer better customer service. Without doubt, banks and financial institutions are legitimate instruments of social and economic change in future. Their ability to respond to socio-economic concern will crucially depend on their overall performance.
Sreedhar Menon (1994)\textsuperscript{21}, in his research article ‘Indian banking system-A long way to go’ has explained that the banking system India is far superior than that of banking system in China. He has highlighted the merits and uniqueness of Indian banking system. But India has a long way to go to catch up with the banking system in countries such as Korea, Taiwan and Malaysia.

Ravi Pratap Singh (1994)\textsuperscript{22} in his paper entitled ‘A study on Deposit mobilization and lending policies of the nationalized commercial banks in India’ has pointed out the objectives of his research. The objective of the study is to review the organizational structures, financial resources, deposit mobilization, lending policies and overall working progress of the banks since nationalization. A detailed and intensive study both at micro and macro level of branch expansion programme, trends in investments & deposits and credit facilities to the priority sectors have been shown with the help of tables and figures.

Ramachandra Rao, B (1995)\textsuperscript{23}, in his research article entitled ‘Performance evaluation of BOI & IOB: Sailing in the same boat’ has analysed and compared the efficiency and performance of two Public sector banks i.e. Bank of India and Indian Overseas Bank. He claimed that BOI if read in reverse, it is IOB. But these two abbreviations stated for two different nationalized banks. On evaluating the performance of two public sector banks namely BOI and IOB during 1994-1995 on a comparative basis, one can see a gulf of difference in financial aspects, operational result and performance.

Aggarwal, M.K (1995)\textsuperscript{24} in his article entitled ‘From ‘I’ to ‘We’ has suggested the ‘need for unity’ and ‘team work’ in banking sector. He opined that individual sticks are broken easily. When these sticks are bunched together, it becomes extremely difficult to do the same. Traditionally, the moral of this fable has been that the strength lies in unity. Every member of the banking workforce now has to work in a co-ordinated fashion to meet the future demands of the customers. It is going to take a new level of empowerment which will come through partnering that is ‘Team Work’. This team work can provide a number of benefits. It can reveal opportunities for business process re-engineering, open channels of communication create understanding and caring, help employees make changes, and allow employees to have a clear sense of what is happening so that they can look ahead.
For the team to be effective, each member must develop a concept of interdependent collaboration moving from an ‘I’ attitude to a ‘We’ attitude. Performance review is another important aspect of team effectiveness. Each employee must have a one-to-one performance review with his/her boss. Every team has its own leader, who will continue to play crucial roles in team success. The members look upon them for guidance and empowerment.


The book contains Nine Chapters including summary and conclusions. The First chapter is introductory in nature and deals with the importance, scope and objectives of the study. Chapter two comprises two sections – both are empirical. Under the first section, the branch expansion, deposit mobilization, credit expansion and the like was dealt. The second section is devoted to a study of the performance of commercial banks in India during the post-nationalization period.

Chapter three analyzed the branch expansion in commercial banks in terms of population groups, bank groups and regional distribution during the study period.

Chapter four presents the growth of deposits of commercial banks in Andhra Pradesh during the post-nationalization period; i.e. 1969-1979.

Chapter five deals with different aspects of credit expansion by commercial banks in Andhra Pradesh such as volume, sectoral distribution, bank group-wise distribution, population group-wise distribution and regional distribution of bank credit during the post-nationalization period i.e. 1969-1979.

Chapter six presents an analysis of the regional and district wise credit deposit ratio of all the three regions of Andhra Pradesh.

Chapter seven aims at studying the impact of nationalisation on the pattern of credit to the priority sectors of the commercial banks during the study period.
Chapter eight gives a brief theoretical coverage of the importance of elimination of disparities in banking development.

Chapter nine covers the summary and conclusions. Thus, the book will be of interest not only to the policy makers and bankers, but also to the students of banking and other researchers in this area.

Rangarajan, C (1997)\textsuperscript{26}, has focused more on the significant changes that have occurred in the Indian banking system. In his study, he stressed the need for new technology in the banks. In his own words he said that “we are today living in a world dominated by technology. Technology has become the principal driving force for long term economic growth. It has been estimated that from one-third to one-half of the growth experienced by industrially advanced countries has come from technology progress”. Later he has highlighted the recent technological advancements took place in the banking sector like Core Banking, Electronic Clearing Service, Mobile Banking and the like.

Prakash Salvi & Abhay Pethe (1997)\textsuperscript{27}, in their research article entitled ‘Role of Development Banks in the Industrial Development: The Indian case’ examined the various aspects like growth and development of banking industry. ‘Development banks’ play an important role in the process of industrialization of the country. Development bank is the name given by the World Bank for an institutional device, which specializes in particular type of banking activity. Its main intension is to ‘encourage, stimulate or promote banking’. The author examined the development of India as well as in the industrial development of various states in India through a single equation model.

Rangarajan, C (1997)\textsuperscript{28} in his inaugural address at the 19\textsuperscript{th} Bank Economists Conference on 16\textsuperscript{th} December, 1996 has focused on the significant financial changes that have occurred in the Indian Banking System since nationalization. In any economy the financial sector plays a major role in the mobilization and allocation of savings. Financial institutions, instruments and markets which constitute the financial sector act as a conduit for the transfer of financial resources from net savers to net borrowers, i.e. from those who spent less than they earn to those who earn less than they spend. The gains to the real sector of the economy therefore depend on how
efficiently the financial sector performs this basic function of financial intermediation.

Despite the overall progress made by the financial system in terms of geographic and functional coverage, questions have been raised from time to time on the viability of the financial system and more particularly of the public sector banks.

He stressed more on the four building blocks which form part of the banking sector reforms. They are

a. Modifying the policy framework
b. Improvement in financial health
c. Creating a competitive environment
d. Institutional strengthening and the like.

Shanbhag, N.A (1997) in his address in the Syndicate Bank Conference of ‘Bank Economists’ On ‘Second Banking Revolution-Competing for the Future’, has opined that the post liberalization era is an era of change and of discontinuity as far as banking in India is concerned. Having embarked on the paradigm shift of simultaneous liberalization and internationalization, one of the major challenges before the banking sector is to enhance their competitive capabilities. The banking sector needs to undergo renaissance. The key ingredient of such renaissance is to innovate to add value and to complete. Today when the Indian banking system is on the threshold of second banking revolution, bank economists have to play a very important role in competing for the future. He has argued that there will be a dynamic business environment in future, which will be a ‘Economic Darwinism’ indicating the struggle for existence, extinction of the weak and survival of the fittest. The modern business environment is characterized by high level of uncertainty, change, competition and high technological absorbance. So, banks have to continuously strive to attain the cutting edge of change by adding and innovating value to their products and services if they have to remain in the race for business. Finally he has concluded by narrating different kinds of technological advancements took place in the banking sector.
Koppar, V.K (1997)\textsuperscript{30} in his article entitled ‘Banking industry in Brazil’ explains clearly the strides faced by the Brazilian banks due to liquidity squeeze in 1995. The banking industry in Brazil (South America) has been taking large strides to adjust itself to new pattern. The liquidity squeeze which occurred during the second and third quarters of 1995 blurred the performance of several institutions. The events involving ‘Banco Economica’ and ‘Banco Nacional’ (these two are the largest Brazilian Banks) contributed to deteriorate depositor’s confidence in the system as a whole. Banco de Brasil, another important bank of Brazil also had large losses in 1995 which contributed to disturbed market even more. The Central Bank came out with a restructuring and financial reinforcement programme late in 1995 to give support to the system.

An analysis of the banking industry reveals that the growth of assets has been much slower during the first semester of 1996 mainly on account of the negative growth in deposits and the tight liquidity conditions in the market. Many of the banks were thus forced not only to increase their equity but also to rely more on market borrowings to meet their needs for funds. So, a number of banks have come down from 246 in 1994 to 237 as at June 1996 due to mergers. Due to this, the bank’s profitability severely eroded in 1995 as is evident from the fact that the return on shareholder’s equity, which was around 12.00 per cent both in the years 1993 and 1994, has gone down to around 7.5 per cent in the year 1995. The principal cause for the erosion of profits is liquidity squeeze.

Kaveri, V.S (1997)\textsuperscript{31} in her research paper entitled “Evaluation of Concurrent Audit in Banks” has analyzed the audit system in the banks. She said that based on the recommendation of the high level committee on Frauds and Malpractices in the Banks (Ghosh committee), the Reserve bank of India advised all Scheduled Commercial Banks (other than RRBS) in October 1993 to introduce a system of Concurrent Audit (CA) at large and exceptionally large branches. CA is an examination by an independent person to ensure timely detection of errors/fraudulent manipulations. This also ensures compliance of rules/guidelines and assurance that business is done within the laid down parameters. Thus, CA aims at keeping the routine transactions under check and to carry out audit task on an on-going basis. This audit is essentially a substantive checking in key areas rather than test checking.
Therefore, it helps bank managers to maintain sound internal accounting functions and to have effective controls so as to avoid incidence of serious malpractice and fraud. The CA is in vogue in the banks, but their experience in deriving the benefits of the CA varies from one to another. Similarly the practice for conducting the CA is not uniform among the banks. So, this paper attempts to evaluate the system of CA in banks.

**Gaur, S.L (1997)**, in his article entitled ‘Recovery of Bank’s dues through Government Support-An innovative experiment in Gujarat State’, has introduced an innovative experiment for the recovery of bank's dues. It is a known fact that after nationalization, banks were called upon to function as an effective instrument for socio-economic development of the country. After nationalization, banking industry underwent a transformation from ‘class banking’ to ‘mass banking’. With the opening of more branches in the rural areas and the liberalized policies of the government, there is an unprecedented rise in credit which contributed towards mounting level of over dues of banks. Realizing this fact and in order to curb the mounting over dues and to help the banks for speedy recovery of their dues, the Government / Reserve Banks of India appointed an expert committee which in turn recommended a ‘Model Bill’ to facilitate the speedy recovery of banks dues. Subsequently, in line with other State Governments, the Government of Gujarat enacted two acts as under

2) Gujarat Agricultural Credit (provision of facilities) Act, 1979.

Both these acts extended to the whole of the State of Gujarat. As per these acts, banks started taking action against the defaulters by filing the cases and requesting the State Government to set up an exclusive recovery cell under these acts. These recovery cells were established in some of the districts of Gujarat State and to monitor the over dues situation. The recovery procedure was adopted by Director of Institutional Finance (DIF), RBI and NABARD. Some districts have started adopting this innovative mechanism to reduce the level of over dues.

**Garg, I.K (1997)**, in his research article entitled ‘Perspective on banking in the emerging environment in India’ has analysed the technological improvements in the era of globalization. He argued that in the super industrial society, with the fusion
of land and entrepreneurial activity into capital and labour, technology has emerged as the third major factor of production. Banking is a clear manifestation of this trend. Traditional banking which meant dispensation of service across the counter during fixed business hours has transformed to service over telephone and electronic systems available for 24 hours a day. Technology, however, cannot be cost effective everywhere because technological applications require huge investments and fusion of technology and environment requires change in culture which is not easy to bring about. ‘Telebanking’, ‘anywhere banking’, ‘any time banking’, ‘online banking’, and ‘virtual banking’ are the buzz words today. Later the author has presented a vivid picture on the progress of Indian Banking System. He concludes with the future perspectives by highlighting competitive forces on one side and regulatory framework on the other.

Sujit K.Dutta and Dilip K. Ghosh (1998) have explained the negligence of banks in extending the helping hand to the rural poor in West Bengal in their article ‘Regional Rural Banks in West Bengal-a Situational Analysis’. In West Bengal, there are nine RRBs having 864 branches altogether covering all seventeen districts of the State. Though Commercial Banks are also extending their helping hands to the rural poor, they are not totally devoted to the cause of the rural poor. The coverage of co-operative banks in respect of poverty alleviation programmes is not that much significant. All these prompted to take up RRBs only for the present study. The RRBs were set up on the basis of recommendations of the working group headed by M. Narasimhan (1975). The main objective of RRBs as conceived by the working group was to meet the credit needs of the target group i.e. small and marginal farmers, agricultural labourers, rural artisans and other categories and the like. Though the first five RRBs in the state started their operations in 1975, and the remaining ones started subsequently, their functioning was far from the satisfaction of the public. The authors have thus presented the banking profile of West Bengal, the growth and performance in terms of deposit mobilization, flow of advances, credit deposit ratio, mounting losses and the like in the later paras, and highlighted the drawbacks in a lucid manner and finally advised for better banking irrespective of some of the constraints.
Taori, K.J (1998)\textsuperscript{35}, has focused his attention on the seriousness of NPAs in Public sector banks in his study on ‘Management of NPAs – Policies and Prospective’. The quality of loan assets is the most important factor for the basic viability of the banking system. The NPAs of banks in India are mounting and pose a serious threat on their profitability. The NPAs not only eat away the bank’s profitability, but also hampers their ability to recycle the funds for productive purposes. The author has further explained the NPAs in private sector, and explained in brief the constraints occurred in the recovery of bank dues. He has suggested two specific strategies to control NPA menace. They are

1. Preventive measures
2. Curative measures

Preventive measures include
a. Credit appraisal and credit audit
b. Forecast sale and the like.

Curative measures are designed to maximize recoveries so that banks funds locked up in NPAs are released for recycling. Seminars and regular training programmes on credit and NPA management for all levels of executives are desirable to upgrade the skills. Lastly, the public sector banks should use their wide network of branches and infrastructure to deepen their lending for wholesale and retail trade, housing, intensive agriculture and the like with a view to reducing NPA ratios.

Pralhad Sabnani (1998)\textsuperscript{36}, has assessed the profit / loss at the branch level through Transfer Price Mechanism System (TPM) in his research work on the topic entitled ‘Assessment of profit / loss at the branch level’. All public sector banks in India are assessing profit / loss at the branch level may not reflect the true picture of profit / loss at the branch level and comparison of profit / loss between two branches of different banks also may not be correct.

This ‘Transfer price mechanism system’ was recommended by the banking commission in 1970, for assessing profit / loss at the branch level. Under this system, deposits at branches are being treated as funds transferred to head office and advances at branches are being treated as funds transferred from head office. According to author there are three systems to transfer price mechanism. They are:
a) Unitary transfer price system (UTPS)
b) Duel transfer price system (DTPS)
c) Multi transfer price system (MTPS)

The author has explained clearly about the above systems and at last narrated the merits and demerits of TPM in a lucid manner.

Srivastava, T.N (1998)\(^{37}\), has narrated the merits of virtual branches on one side and its application on another side in his research article ‘Virtual Branch’. Under the branch banking system the large banks operate through a large number of branches. There is a relationship between the banker and the customer. Under virtual banking, while the banks are trying to strengthen customer relationship, the customers are slowly moving away from the traditional branch banking. The author has also suggested a strategy for the Public Sector Banks (PSBs) to meet the challenges from the foreign banks and private sector banks. One of the strategies to deal with this problem is to set up a ‘Virtual Branch’ at each of the important centers and to provide connectivity among the ‘virtual branches’ at these centres through dial-up lines or the VSAT (Very Small Aperture Terminal) network. This proposed virtual branch could comprise only a computer and networking equipments with only a few technical persons to manage the system. The investment will comprise the hardware, viz., one PC, one Modem and one Telephone at branches and the computer system at the virtual branch and the software to be loaded in the PC at the branches and at the Virtual Branch. The Virtual Branch of the bank could be connected to the ATM network set up in Mumbai (the main branch) to provide on-line services for the opting customers. The Virtual Branch of each bank set up at different centres in the country could be interlinked to provide for ‘Any Branch Banking’ services to the customers to each bank. It is expected that such a system of Virtual Branches in different cities, interconnected to each other, could provide PSBs, a strategy for meeting the challenges from private sector and foreign banks. This system will work with more modernity in the era of modernization.

Marcia Millon Cornett, Evrin Ors, and Hassan Tehranian (2002)\(^{38}\), have narrated the performance of commercial banks around the establishment of a Section 20 Subsidiary in their research paper entitled ‘Bank performance around the introduction of a Section 20 Subsidiary’. The commercial banks in USA were
allowed to establish section 20 subsidiaries to conduct investment banking activities. The authors found that in the three years after the establishment of a section 20 subsidiary, operating pre-tax cash flow performance increases significantly relative to both ‘non-section 20 banks’ and ‘investment banks’. The source of the improved performance appears to be revenues generated from the non-banking activities rather than changes in the traditional commercial banking activities. So, it appears that the initial alliances of commercial banks and investment banks via the establishment of section 20 subsidiaries have been beneficial to the performance of commercial banks.

Lakshmi Prasad Padhy (2003) in his article, ‘Banking Challenges and Prospects’ has stressed the importance of information technology (IT) in the present day banking sector. He opined that without sophisticated and large scale application of information technology (IT), banking just cannot compete with the ongoing changes in the various sectors of economy. The information technology will increasingly determine a bank’s overall profitability, operational efficiency and competitive edge. The author has narrated more on the competition among banks for getting profits, application of new technology, electronic banking, customer service, marketing and the like He suggested to adopt the following practices on urgent basis.

a) Greater emphasis on diversification and sources of non-interest income
b) Equipping themselves to operate in the deregulated environment
c) Greater specialisation in concerned field.

Amarender Reddy, A (2005), in his research article ‘Banking sector deregulation and productivity change decomposition of Indian banks’ has tried to examine the changes in the bank productivity growth through employing the ‘Malmquist Total Factor Productivity Index’ (TFP). He has explained the pros and cons of the TFP and examined the productivity change of banks and concluded that the productivity of banks was almost stagnant during the study period.

Reddy, Y.V (2006), has examined the monetary and financial sector reforms in India and explored the prospects for introduction of further reforms in his article ‘Monetary and Financial Sector Reforms in India: A practitioner’s perspective’. The Indian financial system in the pre-reform period essentially catered the needs of planned development in a mixed economy framework, where as the government sector had a predominant role in economic activity. By the end of the 1980s, the
financial system was considerably stretched. The directed and concessional availability of bank credit with respect to certain sectors not only distorted the interest rate mechanism, but also adversely affected the viability and profitability of banks. Apart from that the author also examined the

a) Institutional aspects of reforms
b) Fiscal policy and financial sector
c) Financial sector reforms and changes in law
d) Critical elements for progress in reforms in a clear and vivid manner.

Vinod Amlani (2007)\(^42\), has dealt with the changing banking scenario on one side and profitability, risk management, competition, reforms and human resource on the other side in his work on ‘The Changing face of Banking: Future of Bank Education’. He also stressed more about the financial sector reforms introduced in the country since the early 1990s, and the new challenges in bank education.

Vasant Godse (2007)\(^43\), in his research article entitled ‘Banking on technology: The Indian contest’, has highlighted the new technology that was adopted in the banks recently, and said that the technology is the current state of knowledge, and the present scene is how to use technology to evaluate the resources to produce desired products. The author has stressed more on the IT technology in banks, the use of high powered computers and the like in the banks. He had concluded that the banking sector reforms had a positive effect on the performance of the banking sector and suggested many effective measures to strengthen the banking system.

Rangarajan, C (2007)\(^44\) on the occasion of R.K.Talwar memorial lecturer on ‘Indian Banking System: Challenges ahead’, has clearly explained the origin and evolution of banking system in India and pointed out more about (i) the banking in the pre-reform period, (ii) the contour of reforms and (iii) process of reforms and the like. He said that India has presently entered a high growth phase of 8-9 per cent growth per annum, from an intermediate phase of 6 per cent growth since the early 1990s. He concludes how banks will face the new challenges in future.

Sharma, K.C (2007)\(^45\), in his book on ‘Modern Banking in India’, he has highlighted some of the aspects like Imperial Bank of India (IBI), Bank Nationalization, Lead Bank Scheme, Branch Expansion, Mobilization of Deposits,
NPAs, Profitability of banks, the WTO and Indian banks, the liberalization, neo-liberalization, idealism, neo-idealism and realism and the like. This book will cater the needs of commerce and management course students.

Usha Thorat (2008)\(^46\) in her research article entitled ‘Banking in the Hinterland’ claims that there is a huge business opportunity in banks going to rural areas. The rural areas have got great potential if banks adopt appropriate approach and suitable strategies. The author also explained about the-

(a) Rural-urban divide in banking
(b) Changes that are happening in the rural sector
(c) The kind of strategies that could be considered for banking in the hinterland. She finally concludes that the banks with their extensive network of branches in rural areas will be able to leverage their presence and meet the challenges.

Pai, D.T (2008)\(^47\) in his book entitled ‘Overview of Banking Development’ he explained that the Indian banking system is unique and perhaps has no boundaries in the banking history of any country in the world. The worldwide revolution in Information and Communication Technology (ICT) has become the biggest force of change in banking. He has stressed more on the banking in the colonial era, during the period 1947, till the nationalization of major banks in 1969 in the post-nationalization period. He also explained about the banking system in 1990s, when banking sector reforms were introduced as part of the process of liberalization and globalization.

Kulshrestha, D.K (2009)\(^48\) has focused more on the analysis and evaluation of the trends of growth of urban commercial banks in U.P, in terms of growth, productivity, work organization, profitability, branch expansion, deposit mobilization and advances extended in the state of U.P in his research article entitled ‘Performance Evaluation of Urban Cooperative Banks with reference to Uttar Pradesh’. He also suggested the ways and means to improve their working efficiency by improving the skill and timely hard work.
Mukhopadhyay, B.K (2009)\textsuperscript{40}, in his research article entitled ‘Public Sector Banks: Is Privatization the solution?’ has analysed the working conditions of PSBs and said that Banking in India, no doubt, has started receiving enough of attention from rest of the world. Many foreign banks are also making a bee-line to enter into the Indian soil. Already a host of foreign banks like Commonwealth Bank of Australia and Zucher Kantonal Bank of Switzerland have set up their representative offices in India. Finally, he concluded that the banking business is, after all, ‘people business’ and this is the competitive advantage which Indian banks need to have in future to provide the right environment.

Bharati, N (2009)\textsuperscript{50}, has focused more on the evolution of banking system in India in her research article entitled ‘Indian Banking and Finance: A paradigm shift’. In the last six decades since independence, banking system in India has evolved through four distinct stages as under;

(a) Foundation stage in 1950s.
(b) Expansion stage mid 1960s.
(c) Consolidation stage – mid 1985s
(d) Reform stage – from 1991 onwards, and explained in detail about each and every stage.

Joshi, P.N (2009)\textsuperscript{51} has quoted a large number of changes in the banking sector in India in his book ‘Glimpses of Changing Banking Scenario’. The book ‘Glimpses of Changing Banking Scenario’ is partly autobiographical and partly historical in nature. The author talks not only about his experiences as a banker and economist, but also deals with several issues relating to non-performing assets, financial sector reforms, national banking policy and the like.

Chakrabarty, K.C (2009)\textsuperscript{52} in his research article on ‘Banking and Finance in India: Development, Issues and Prospects’ has clearly mentioned about the global banking trends and crises. He stressed the impact of Information Technology (IT) on the banking industry, as banks are the main users of IT. He appraised that the banking industry in India has a huge canvas of history which covers the traditional banking practices from the time of Britishers to the reforms period. Therefore banking in India has been through a long journey; and achieved a new height with the changing times. In the light of the above, he has touched the Global crises. Also Indian banking trends, financial health of Indian banking system and the like, and explained them in detail.
Munaswamy, K (2010)\textsuperscript{53}, has focused on the significant changes that have occurred in the Indian banking system in his research article entitled ‘New technologies in the Banking system’. He stressed more on the need for the new technologies in the banking system in the era of globalization. The electronic banking like ‘home banking’, ‘telebanking’, ‘ATM’, ‘mobile banking’, ‘Internet banking’, ‘electronic funds transfer’ ‘plastic cards’- all these are focused towards providing quick and efficient customer service at the door step of the customer. By using all modern technology, the future of the banking is much delighted.

Chhabra, S.K (2010)\textsuperscript{54}, in his paper entitled “Role of Scheduled Commercial Banks in the socio-economic development of Nagaland” has dealt with the review of the previous socio-economic conditions of Nagaland and examined the growth and development of scheduled commercial banks (SCBs) in Nagaland on one side and growth trend in the deposits and credit lending on the other side.

Clifford Gomez (2011)\textsuperscript{55} has given a vivid picture about the Banking and Finance in India in his book entitled ‘Banking and Finance, Theory, Law and Practice’. The book was divided into two parts. The first part deals with theory and the second part deals with Law and Practice. The first part consists of 18 chapters, and the second part consists of 8 chapters (Total 26 chapters). In the first part, the important topics that incorporated are Money, Evolution of Banking, Classification of Banks, Systems of Banking, Commercial Banking, Deployment of Funds, Hi-Tech banking, New Financial Services, Banker’s clearing House, Central Banking, Foreign Exchange Management, Global Financial Crisis-2007-2009, Indian Financial system, Indian Money Market, Commercial Banking in India, Banking Legislation in India, Changing scene of Indian Banking, Central Banking in India were given respectively from 1 to 18 chapters. In the second part i.e. in Banking and Finance: Law and practice, the topics like Bank Deposits, Procedure for opening a Bank Account, Bank Instruments, Forms of Bank Lending, Principles of sound Lending, Security for bank Advances, Mode of securing advances were given respectively from chapter-19 to chapter-26. At the end of each chapter short-answer type questions and long-answer type questions are appended, which are quite useful for the students appearing for competitive examinations.
Niyati Gadit (2011)\textsuperscript{56} has emphasized more on the occurrence of frauds in banks by the customers on one side and the bank employees themselves on the other in her paper entitled ‘Prevention of Frauds in Banking’. Fraud is not a new thing and cannot be completely eradicated. However, system and process checks can discourage and prevent fraud. Fraud may be perpetrated by customers by availing loans against false security or by making mis-representation about the purpose of loans or by submitting fictitious balance sheet and other papers. Fraudsters may withdraw deposits of others by impersonation. To prevent the fraud, it is essential that document submitted by the borrower should be thoroughly checked, verified and confirmed that it is correct. Frauds committed by bank employees themselves are more dangerous than those by outsiders. Banks in order to prevent fraud by employees need to prepare work flow chart and see that there is no inappropriate concentration of authority. So, it is necessary to implement identification not only by password but by biometric measures like fingerprint capture device and secret cameras at branches. Some employees have phobia of computer and agreeable to share their password, which will encourage the sharing person to commit fraud. So, this practice should be strictly discouraged. Finally, the employees should be kept satisfied by providing good salaries, job security, respect and sense of belonging to organization are some of the measures to prevent frauds.

Basavannyappa (2013)\textsuperscript{57}, in his article entitled ‘Modern Banking in India and Banking Products’ has discussed about the role of technology that governs the modern banking in India. He stated that the banking industry has moved through various stages of transition. The modern banking in India extends beyond international banking to deliver trade products and services to business and trade customers. The surge in modern banking in India has gained momentum with technological advancements, particularly in information and communication technology. In the coming years, globalization will spread further with the likely opening up of financial services under the World Trade Organization (WTO). India is one of the 104 signatory countries of the ‘Financial Services Agreement’ (FSA) of 1997. This gives the country’s financial sector including banks an opportunity to expand their business. The emergence of e-banking and expansion of IT, the banking sector and financial activity changed remarkably. The following are the other products of banking, on which the author stressed more.
a) Automated Teller Machine (ATM)
b) Electronic Fund Transfer (EFT)
c) Virtual branches and Automated Video Banking
d) Automated Loan Machine (ALM)
e) Telebanking
f) Personal Computer Banking (PCB) or Home Banking
g) Internet Banking
h) Electronic or Digital Money
i) Real Time Gross Settlement System (RTGSS)
j) Electronic Data Interchange (EDI)
k) Shared Payment Network System (SPNS)
l) Electronic Clearing Service
m) Corporate Banking Terminal
n) Stored Value Cards or Smart Cards
o) Point of Sale Terminal
p) Electronic Data Interchange (EDI)

Therefore, the technological advancement in banking sector can be made effective when a simple, flexible and modular approach is considered and implemented.

Maninder Kaur, Manmeet Kaur and Naghma Zia (2013) have emphasized the need of Universal Banks in the present era of globalization in their combined paper entitled ‘Universal Banking’. Universal banking is a multi-purpose and multi-functional financial super market – providing both banking and financial services through a single window system. It is actually an amalgamation of commercial banking, investment banking and various other activities including insurance. Many reports favour the universal banking paradigm due to benefits arising out of economies of scale, scope of operations and reduction in the operating cost. Banking will never be the same again. There must be a move towards universal banking to storm the banking arena. Universal banking has been in practice in different countries in different forms.

The need of the Universal Banking is that there is a mushrooming growth of banks in both public and private sector with a little difference in the products and
services being offered by all of them. So, there is a lot of pressure on their profitability. By incorporating a host of services and products in their portfolio, banks can offer more services under one roof. On the other hand, customers can gain substantial discounts in the matters of insurance premiums, rate of interest on loans and in other privileged services. So, the emergence of Universal Banks is the need of the hour. The authors have appended the advantages of Universal Banking as

a) Universal Banking results in greater economic efficiency in the form of lower costs, higher output and better products.

b) It entails less cost in performing all the functions by one entity instead of separate bodies.

c) A bank possesses the information on the risk characteristics of the clients, which can be used to pursue other activities with the same clients.

d) The idea of ‘one stop shopping’ saves a lot of transaction costs and increases the speed on economic activities. It is beneficial to the bank as well as its customers.

Santhi Vedula (2013) in her article ‘Mobile banking (progressive banking)’ has analyzed the technique of mobile banking in banking services. Mobile banking (also known as M-banking, SMS banking and the like) means the usage of telecommunication devices for carrying out banking and financial transactions. It is used for carrying out the balance checks, account transactions, payments and the like via mobile device such as mobile phones, through Short Message Service (SMS) or Wireless Access Protocol (WAP) and Technology Acceptance Model (TAM). If asked the banking personnel about its safety, the answer is unanimously YES. All agree to the point that mobile banking is safe as it gives access to the same amount of information to the non-concerned as your ATM receipt. With the increasing technology trend of mobile banking, statistics indicate this ongoing trend is still budding, only 3 per cent of the total customers are using mobile banking. Further the author has explained the Basic Mobile Baking Technologies, Short Message Service, Wireless Application of Protocol, Standalone Mobile Application in a lucid manner and pinpoint the threats observed in mobile banking and concluded that whatever may be the threats and other demerits of mobile baking, the customers are habituated to feel and enjoy themselves the luxury of the technique called Mobile Banking.
Sachin Ramesh Awari (2014), in his article ‘Islamic Banking: The Religious way of Banking’ has analysed the Islamic way of Banking, a religious way of banking, where there is minimum chances of default. Islamic banking is also known as ‘interest free banking’. It is a banking system which promotes profit sharing, prohibits charging and paying interest (known as Riba). Finance relies on the idea of profit and loss, risk sharing on both liability and asset side. Like conventional banking, the basic principle followed in Islamic Banking is to make money for the banking institute by lending out the capital. But this is not the sole purpose of Islamic Banking but also the religious development and propagation of Islamic religion in every corner of the world. The principal of the bank is based on the religious beliefs and the ancient practices followed by the religious preachers.

Islamic banks have more than 300 institutions spread over 51 countries. In Islamic mortgage transactions, instead of lending the buyer to purchase the item, a bank might buy the item itself from the seller and resell it to the buyer at the profit which allows the buyer to pay the bank in the installments. In order to prevent itself from the default, banks ask for strict collateral. There are some plans to establish Islamic Banks in India also.

RESEARCH DESIGN

Statement of the Problem:

In India, the Scheduled Commercial Banks (SCBs) have been categorized into three sectors such as Public sector, Private sector and Foreign banks and the market share of these banks is 75 per cent, 20 per cent and 5 per cent respectively. Of the total 89 scheduled commercial banks (SCBs). 26 are public sector banks (PSBs) with 67,466 branches, 20 are private sector banks (PRSBs) with a spread of 13,452 branches and 43 are foreign banks (FOBs), with 322 branches in the country. The banking system in India is so strong, vigilant and dynamic; and its performance on an average is also good. But considering the specific banking sector in general, it is understood from the available sources that the performance of public sector banks is impressive than the remaining two sectors especially in terms of deposits mobilization, branch expansion, NPAs management and the like.
Two decades have passed already since the implementation of the Narasimhan Committee recommendations on the financial health of commercial banks. During this period, the Information Technology (IT) has changed drastically. With the result, a number of technological developments and innovative methods were introduced in the banking sector in the world. The banking sector therefore is able to provide various financial services and products to the customers besides banking keeping in view the international standards and norms.

In spite of all these changes, it is understood that the profitability has deteriorated, or the degree of variation in profitability became dissimilar. The reasons for this deterioration is multifaceted; the major are corruption, fraud, mis-utilization of public money, politicization in policy making, the problems of NPAs and the like. This will be a major setback in the banking sector in general and the public sector banks in particular. As the banking sector plays a major role in the economy of a country, major reforms were urgently felt to set aside its drawbacks, so that the banks will be more competent to face the upcoming challenges and competition from private sector and foreign banks in the era of globalization and liberalization. So, the present study is proposed to undertake an evaluation of financial performance of Scheduled Commercial Banks with special reference to Bank of India.

**NEED FOR THE STUDY**

It is a known fact that ‘money’ or ‘finance’ is utmost and valued man-made ‘resource’ of the nation which forms one of the primary assets to the nation’s economy (Zimmerman, 1981). Banks and other financial institutions play a major role in safe guarding this resource and act as ‘middlemen’ between the government and the public. Commercial banks are no more an exception. They are the most popular ones extending their services with a wide network of branches with utmost confidence in the public. Bank of India, one of the oldest and largest commercial banks in the country has been extending its services since its establishment in 1906. It is a well established fact too. Some studies were conducted in India earlier for evaluating the performance of commercial banks, but only a few have made an attempt to study the Bank of India in terms of its financial performance. This fact can be understood from the review of literature also that the studies on the performance of Bank of India are one of the neglected dimensions of research. So, the present study
is undertaken to examine its financial aspects, as the bank has received “Best Banker” award at the India SME excellence Awards – 2013, for its exemplary contribution in banking sector. So, the present investigation is concentrated on the financial performance of Bank of India. To measure the performance of Bank of India, several simple mathematical and statistical tools are used at an appropriate contexts in the present study. Apart from this, the problems that arise in other banks are comparatively similar, it is possible to foresee the future problems in detail. It may also enable the government to go in detail for the better administration.

OBJECTIVES

The primary objective of the present study is to study and examine the financial performance of Scheduled Commercial Banks in general and the performance of ‘Bank of India’ in particular. The specific objectives of the present study are

1. To review the banking system in India.
2. To review the performance of scheduled commercial banks in India, in terms of deposit mobilization, credit lending and the like.
3. To evaluate the growth and progress of Bank of India in terms of deposit mobilization and credit lending.
4. To examine the magnitude of Non-Performing Assets in Bank of India.
5. To assess the profitability of Bank of India.

HYPOTHESIS

1. There is no statistically significant difference among different banking sectors of Scheduled Commercial Banks in the mobilization of deposits, credit lending, NPA management and profitability.
2. There is no statistically consistent growth in the deposits and credit lending of Bank of India over ten year study period.
3. There is no significant difference in the incremental improvement in the magnitude of Non-Performing Assets of Bank of India over the study period.
4. There is no statistically consistent growth in the profits of Bank of India over ten year study period.
RESEARCH METHODOLOGY

Research methodology consists of sources of data, sample design and the like.

Sources of Data:

The present study is taken up with an intention to evaluate the financial performance of scheduled commercial banks in general and Bank of India in particular. For this purpose, the secondary data for a period of ten years from 2003-2004 to 2012-2013 have been collected from the relevant publications of Govt. of India periodicals such as the Economic times, Economic and political weekly, journals, annual reports of Bank of India and in-house journals like ‘Taarangan’, RBI websites and the like. The literature on the subject available in the libraries is also utilized. Websites were also searched for the relevant and correct information.

Sample Design:

For the present study, the researcher has adopted a case study approach. At present the banking industry consists of public sector banks, private sector banks and foreign banks. The regional rural banks and co-operative banks are excluded from the scope of the present study and emphasis was laid particularly on Bank of India.

TOOLS OF ANALYSIS:

The very purpose of the present investigation is to evaluate the financial performance of public sector banks with special reference to Bank of India. In this connection the performance evaluation of these two banks cannot be viewed separately and there is every need to investigate the “spatial linkage” between these two, as the Bank of India is one among a number of threads in a large fabric of public sector banks. So, relevant raw data related to these banks have been collected from different sources and was given a statistical treatment. Tables are constructed meaningfully and the statistical values like Mean, SD, CV, CGR, LGR, t-value and the like are computed and appended to each of the table. “A picture is worth a thousand words” is a Chinese proverb. Based on this, maps, simple vertical bar graphs, compound vertical bar graphs, line graphs, horizontal bar graphs and the like are presented at the end of each table to illustrate the facts and figures which will also provide a visual presentation of categorical data. These bars are colour coded to represent a particular grouping. Graphs show how two or more sets of data or
variables are related to one another. They allow us to analyze economic concepts and examine historical trends (Monkhouse, F.J, 1970). On the whole they provide a convenient presentation of data or of the relationship among the variables.

**SCOPE AND LIMITATIONS OF THE STUDY**

The scope of the present study is confined only to financial performance of commercial banks in general and the financial performance of Bank of India in particular. The study has not been extended to other two functional areas such as marketing and human resources. The financial performance of Bank of India was examined for a specific period of study say ten years of recent period, i.e. from 2003-2004 to 2012-2013.

**CHAPTER SCHEME**

In order to realise the objectives mentioned earlier, a comprehensive plan and design of the study has been outlined and the entire study is organized into Seven chapters as follows.

**Chapter-I: “Introduction”**

An overall idea about the banking sector, its perspectiveness and setting was presented here in terms of concepts, definition of banking, classification of banks, historical evolution of banking, various committees and their recommendations, important milestones in the growth of Indian banking, structure of the banking industry, factors of success were dealt in detail so as to project the introductory part of the study.

**Chapter-II: “Review of Literature and Research Design”**

This Chapter presents how knowledge is growing rapidly in the subject concerned. There is a tremendous increase in the number of research publications. So, the researcher made a survey of the available literature relating to the field of financial performance of the banks and updated the same as per the need. Design of the study consists of the statement of the problem, need for the study, objectives, hypothesis, methodology, data collection, sample design, tools of analysis, scope and plan of the study.
Chapter-III: “Financial Performance of Scheduled Commercial Banks”

Scheduled commercial banks include the Public sector banks, Private sector banks and the Foreign banks. These commercial banks have grown in manifold since the nationalization of banks in 1969. Such growth and performance was presented in the form of tables in terms of Deposit Mobilization, Loans and Advances, Credit Deposit ratios, Assets, Interest income, Interest expenses, Branch expansion, Gross NPAs, Net profits, Cost of deposits and the like. This kind of analysis for the above parameters indicates the degree of performance of each banking sector over a specific period of time.

Chapter-IV: “Profile of Bank of India”

Bank of India has got a number of accolades and awards to its credit. So, it was selected as the study unit for present investigation. Its financial performance is evaluated in terms of its profile (i.e., its vision, mission, quality policy, core values, accolades and awards), Small and Medium Enterprise (SME) financing, branch expansion and the like are presented table-wise to get a vivid picture of information about Bank of India.

Chapter-V: “Deposit Mobilization and Credit lending of Bank of India”

In the present scenario of banking industry, competition among the banks is very severe. The banks have been trying to find new avenues to retain the present customers by offering different attractive offers in the form of various deposit schemes. So, various deposit schemes, deposit mix, low cost deposits, credit deposit ratio and the like are presented table-wise in this chapter. On the other hand, the banks are pushing their tailor-made loans products in order to increase their market share. Products like agricultural loans, retail loans, SME loans are the major loan products the banks offer to its new and existing customers.

Chapter-VI: Non-Performing Assets and Profitability of Bank of India”

Profit optimization and NPA management is the primary goal of any bank. So, the profitability and NPAs management of Bank of India are presented table-wise in terms of total profits and annual growth rate, total income and annual growth rate, operating expenses and annual growth rate, growth of gross NPAs and the like.
Chapter-VII: “Summary of Findings and Suggestions” are presented in this chapter.

CONCLUSION

Several researchers have conducted studies on the performance of commercial banks but studies on Bank of India are scant. The earlier studies differed from one another in the selection of period, banks, indicators and statistical tools and techniques. In contrast, the present study focuses its attention on the financial performance of public sector banks in general and Bank of India in particular. The period of the present study therefore starts from the year 2003-04 and ends with 2012-13. The study, instead of taking a large number of parameters took only financial parameters to evaluate the efficiency of banks.
References


