CHAPTER VII
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The banking system is indispensable in the modern society. It plays a key role in the economic development and forms the core of the money market in an advanced economy. Realising the crucial role of the banks in the national economy, the Government of India nationalised fourteen major commercial banks in July 1969 and six more in April 1980. As a result of this 'banking revolution', the old concepts, attitudes and methods of banking in India have changed. Now the credit institutions in the country are required to participate in the nation building activities and help in bringing about socio-economic changes. Banks, as social institutions have to go out to the people and assist the weaker and neglected sections of the society in achieving their socio-economic aspirations. They are to act as catalysts in the development of the country mobilising resources whererever they may be, and channelising them towards productive purposes. The role of the public sector banks in India is all the more enhanced with the implementation of the Banking Sector Reforms introduced on the basis of the recommendations of the Narasimham Committee on the Financial System.
Though with some silver linings here and there, the individual performance of all the nationlised banks in India are far from satisfactory. The poor state of affairs of the banks is all the more brought to light with the introduction of the Financial Sector Reforms. All the nationalised banks incurred a net loss during the year 1992-93. The aggregate net loss of the nationalised banks came to Rs.3,64,292 lakhs and Rs.3,44,664 lakhs during 1992-93 and 1993-94 respectively. Syndicate Bank, a bank that performed unusually well during the pre-nationlisation and early post-nationalisation periods and which show the same decelerating trend in performance along with other nationalised banks is taken as a case study.

The present study which evaluated the overall individual performance of all the twenty nationalised banks (now nineteen) over a period of ten years from 1984 to 1993-94 comprises of seven chapters. The first chapter provides an introduction outlining the importance of banks in the economic development of the country. A statement of the problem investigated, the objectives of the study, the methodology and sources of data as well as the limitation of the study are presented in this chapter.
A review of the relevant studies in the area of banking is presented in the second chapter.

In the third chapter an overview of the growth and development of Indian banking industry, outlining the major phases, viz. nationalisation of the banks, the Banking Sector Reforms introduced on the basis of the Narasimham Committee recommendations and their impact on the banking sector, are discussed with special emphasis on the nationalised banking industry.

A profile of Syndicate Bank including its origin, history, development and its organisation and management are outlined in the fourth chapter.

The theoretical foundation of the present study is outlined in chapter five. The EMEE Model developed for the study is discussed in detail in this chapter.

The sixth chapter provides the analysis of the performance effectiveness of Syndicate Bank vis-a-vis with the rest of the nationalised banks in the country. The nationalised banks are ranked on the basis of their Health Performance, Priority Performance, Efficiency Performance and Composite Performance as delineated in the EMEE Model.
The seventh chapter presents an overview of the entire study. The findings and conclusions as well as the recommendations drawn on the basis of the detailed analysis are presented in the chapter.

7.1. Findings and Conclusions

The findings of the study based on the EMEE Model is outlined below, parameter wise.

Capital Adequacy and Quality of Assets

Among the nationalised banks, Canara Bank obtained the first position in capital adequacy and quality of assets by attaining the full score of 100 earmarked for the parameter followed by Dena Bank obtaining a score of 97.5 and five other banks a score of 95. Vijaya Bank with a score of 75 occupy the fourth position in the performance of this parameter. Syndicate Bank and eleven other banks got only a score of 45, being the lowest.
Profitability

Canara Bank has the highest score of 63.31 in profitability followed by Union Bank of India occupying the second position with a score of 62.06. The fifteenth position of Syndicate Bank in profitability with a score of 41.30 is the outcome of its poor performance in the various vital sub-parameters considered under the basic parameter 'profitability'. The lowest performing bank in profitability is Punjab and Sind Bank with a score of 29.39.

Health Performance (HP)

Canara Bank with its best performance in capital adequacy and quality of assets and profitability, is able to attain the first position in Health Performance by a score of 163.31 out of maximum of 200 earmarked for Health performance. Canara Bank is followed by Union Bank of India in Health Performance with a score of 157.26. Syndicate Bank has fifteenth position in Health Performance with a score of 86.3. Punjab and Sind Bank has the lowest position in Health Performance with a score of 74.39.
Social Banking

Allahabad Bank has the highest score in social banking with a score of 81.45 followed by Punjab National Bank with a score of 75.2. Syndicate Bank has a score of 51.15 to keep it at the fifteenth position in its performance in social banking. Corporation Bank with a score of 32.95 is the least performing bank in social banking.

Growth

Though Syndicate Bank has the lowest performance position in capital adequacy and quality of assets along with eleven other banks and it has only the fifteenth position in profitability, health performance, and social banking, it has the ninth position in 'growth' with a score of 43.91. Other than 'productivity', discussed under Efficiency Performance, 'growth' is the only parameter for which Syndicate Bank has a rank position below ten. Only in these two parameters Syndicate Bank has a comparatively better performance. Indian Bank with a score of 68.49 is the best performer in growth and Bank of Maharashtra with a score of 29.88 is the least performing bank in 'growth'.
Priority Performance (PP)

In priority performance, which is the outcome of a bank's performance in social banking and growth as per the present study, Syndicate Bank has the fourteenth position with a score of 95.06. The Bank's low performance in this aspect is the result of its uncomfortable performance position in social banking as indicated by the relevant score. Syndicate Bank is said to have a rural heritage and it functions mostly in a rural environment. But it has a poor performance in social banking as indicated by the management of the sub-parameters identified under this basic parameter. Hence its poor performance in priority performance. Bank of India with a Priority Performance Score of 134.27 is the best performer and Corporation Bank with a score of 79.26 stands in the lowest position in priority performance.

Productivity

Syndicate Bank has the eighth position in productivity performance with a score of 43.96. It is one among the two basic parameters for which Syndicate Bank has a relatively better performance position, the other being growth: Bank of Baroda has the highest productivity
performance with a score of 85.09 and Bank of Maharashtra with a score of 20.64 has the lowest productivity performance. Bank of Baroda with a score of 164.39 out of a total score of 300.

Customer Service

In customer service Syndicate Bank could not enjoy a comfortable position with a score of 67.3: it has only the fifteenth position in the performance of this basic parameter. The highest performer in customer service is Bank of Baroda: it has a score of 79.3 followed by Allahabad Bank with a score of 79. Indian Overseas Bank has the lowest score of 60.7 in customer service.

Efficiency Performance (EP)

The eleventh position of Syndicate Bank in Efficiency Performance with a score of 111.26 is the outcome of its performance in productivity and customer service. Unlike Health Performance and Priority Performance where Syndicate Bank has only the fifteenth position and the fourteenth position respectively, it has a slightly better performance position in Efficiency Performance. Though it has the eighth position in productivity performance, this is offset through its low performance in customer service which
took it to the eleventh position in Efficiency Performance. The Bank with the highest Efficiency Performance is Bank of Baroda with a score of 164.39 out of a total score of 200. The high efficiency performance of this Bank is the result of its high performance in productivity and customer service. The lowest performing bank in this respect is New Bank of India with a score of 20. Of course, this score of New Bank of India is the score of productivity alone, for, it has no score in customer service. It was non-existent at the time of the survey on customer service by the researcher. Bank of Maharashtra with a score of 88.24 is the least performing bank in efficiency, next to New Bank of India.

Composite Performance (CP)

Composite Performance Score (CPS) denoting the aggregate scores of all the six identified basic parameters or the aggregate of HPS, PPS and EPS is an index of the allround performance. Syndicate Bank has the fifteenth position in Composite Performance with a score of 292.63 out of the maximum score of 600 earmarked for the six basic parameters: the highest performer is Bank of Baroda with a CPS of 438 followed by Canara Bank with a score of 427.49. The lowest performing bank is New Bank of India with a score of 180.91.
Bank of Maharashtra with a score of 264.37 in Composite Performance is the least performing bank next to New Bank of India.

The study reveals the overall performance of all the nationalised banks in India. The relatively poor performance of Syndicate Bank in the various parameters identified in the present study resulted in its dismal picture in allround performance. Except for the two parameters, 'growth' and 'productivity', the Bank's performance in all the other parameters are really uncomfortable. When compared to Syndicate Bank fourteen banks fared better in overall performance as indicated by their Composite Performance Score (CPS). Only four nationalised banks exhibit poor performance in relation to Syndicate Bank.

Thus it can be concluded that the performance of the nationalised banks especially banks like Syndicate bank leaves scope for improvement. The Composite Performance Score of the individual nationalised banks including that of Syndicate Bank is capable of showing improvement if the banks take earnest efforts to enhance their performance in the vital areas viz, internal management, asset management, technology upgradation and customer service. Such an effort would lead to the
enhancement of performance in all the parameters and eventually to the Composite Performance/overall performance of the banks.

7.2. Recommendations

In the light of the observations and findings of the study, it is but fitting and proper to put forward the following recommendations to improve the performance effectiveness of the Indian banking sector, especially the nationalised banking sector:

I. Low performing banks should take every effort to improve their quality of assets, capital adequacy, profitability, and customer service. Steps should be taken to improve their Health Performance, Priority Performance and Efficiency Performance.

II. The operational efficiency of the banks is to be ensured, maintained and improved through modern technology, systems and better staff management on an on-going basis.

III. The Board of Directors of the low performing banks should be reconstituted, with people having expertise, vision and mission.
IV New avenues of viable projects are to be identified by the nationalised banks to invest effectively and profitably the funds tapped through various sources, so that profitability and productivity can be improved.

V The internal management system of the nationalised banks are to be toned up.

VI All top and senior executives should be placed in duly earmarked areas of responsibility and should be held answerable and accountable for all that happens within their respective areas. Persons who exploit their power, authority and position should be severely dealt with.

VII Political affiliations in the appointment of the top executives and the political interference in the management and day to day administration is to be eliminated to achieve maximum efficiency and effectiveness.

VIII Management audit is to be introduced as a tool for an objective evaluation of the management performance of the nationalised banks in the overall functioning of the organisation. Such an audit should clearly reveal the
lapses in the organisation structure, systems and procedures, so that corrective actions can be taken.

IX. Nationalised banks should be permitted to operate on the basis of operational flexibility and functional autonomy within the broad framework of the guidelines issued by the Reserve Bank of India: the approach to management of the resources should not be mere target-oriented. A 'need based' and 'credit worthy' policy instead of a 'directive based' lending could only minimise accumulation of non-performing assets.

X. The banks should make every endeavour to enhance customer satisfaction. They should try to improve quality service through effective staff training, service monitoring, orientation and recognition programmes. Banks should offer the customer what he wants rather than offering what they have in stock. For, every customer has a different need.

To conclude, let us hope, in the coming years through dedication and hard work the nationalised banks in India would improve their performance and march towards the achievement of their corporate mission and goals in a better way.