Preface

Nationalisation of fourteen major commercial banks in July, 1969 aroused enormous expectations from the banking system in India. The new banking policy, therefore, sought to change the very structure of commercial banking in the country. The emphasis shifted from industrial and commercial sectors to agriculture and small scale industries as well as from urban to rural areas with a view to achieving the social objectives of economic development. Consequently, the Indian commercial banks, particularly in the public sector, experienced an unprecedented growth in branch expansion, deposit mobilisation and priority sector lending, both quantitatively and qualitatively.

How far these banks have been able to achieve the objectives of the new banking policy is indeed a debatable point. But there is no denying the fact that the developments which have taken place during the last decade or so have been phenomenal. At the same time, however, these developments have also been accompanied by new problems and challenges.

In recent years, the monetary authorities and the bank management in India have been greatly concerned with the problem of rising costs and their impact on profitability. The solution of this problem would perhaps lie, inter alia, in formulating an efficient management control system for commercial banks that would keep the costs in check and increase their
profitability without jeopardising the basic social objectives of banking. A significant ingredient of a control system is effective evaluation of performance.

The present work relates to this important aspect of management control. The overall objective of the study is to evaluate the performance of commercial banks in the nationalised sector with a view to evolving sound criteria for performance appraisal at the bank level as well as at the branch level. An attempt has also been made to build-up an evaluation model that may be conveniently used by bank managements as well as policy makers for evaluation of performance both at the macro and the micro levels.

The study has been divided into seven chapters. Chapter I deals with Research Problem and Methodology. Review of Literature available on bank management and performance appraisal is presented in Chapter II. Chapter III, entitled 'Performance Evaluation of Commercial Banks - Concept and Practice', critically examines the various concepts of performance evaluation and analyses the existing performance budgeting practices of the banks under study.

The detailed analyses of data collected from both primary and secondary sources are presented in Chapter IV and Chapter V. These two chapters deal, respectively, with the evaluation of bank-level and branch-level performances
in terms of a number of operational variables, such as branch expansion, deposits, advances, priority sector lending, recovery, costs and profitability. Basically, analysis uses the techniques of inter-firm comparison.

In Chapter VI, an Integrated Performance Evaluation Model has been developed after proper identification of the basic parameters of performance and assigning them appropriate weights, keeping in view the policy objectives pertaining to national and priorities, operation efficiency. It is a performance scoring model and has been used as a compact system to evaluate the overall performance of sample banks and their selected branches in terms of Integrated Priority Index, consisting of National Priority Index and Operational Efficiency Index.

Finally, Chapter VII provides the summary of findings and conclusions.

The basic data collected from primary and secondary sources are presented in 17 tables in Appendix 'A'. A very comprehensive bibliography pertaining to the main theme of the present work, has been given at the end of the report.

In the original draft of the thesis, an introductory chapter tracing the history of growth and development of commercial banks in India was included. It was, however, felt that it would be simply a repetition of the facts already available in the banking literature in the country and would simply add to the bulk of the thesis. In the present study, therefore, it has not been included.

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