CHAPTER – VII
CONCLUSIONS AND SUGGESTIONS

Banking sector is an important component of the growth equation in an economy. Time and again, history has shown how a weak banking sector has led to the collapse of entire economy. Over the years, banks in India have come to occupy a place of importance in the planned development of the economy in the country. Responding to the emerging requirements of agricultural, industrial and economic growth, they have not only progressively increased the flow of assistance, but also developed a co-ordinate approach to agricultural and industrial financing. To meet the needs of the weaker sections of society, they have introduced many structural changes. Not only new institutions have been established to cater to the special needs of the varied sectors, but powers have been decentralized and delegated to the grassroot level. Simultaneously, consistent with their role as catalysts in economic development, the banking institutions have progressively enlarged the scope of their operations – from providing financial assistance to the promotion of agriculture, industry and other activities.

A well – developed banking system is a necessary pre-condition for economic development in a modern economy. Besides providing financial resources for the growth of industrialization, banks can also influence the direction in which these resources are to be utilized.

The Changes affecting the banking sector in the wake of globalization and opening up of the economy in the early nineties has provoked much reflection on the ways and means to strengthen the banking system. In the underdeveloped and developing countries, not only the banking facilities are limited to a few developed urban areas, but also the banking activities are limited mostly to trade and commerce, paying little attention to industry and agriculture. Structural as well as functional reforms in the banking system are needed to enable the banks to perform developmental role in underdeveloped countries.
A conference of the Chief Executives of banks has identified a number of priorities to make the banking sector sound and vibrant to play a crucial role in the accelerated growth of the economy. The banking sector reforms, implemented since 1991, have brought in a near-total metamorphosis of the sector and made the Public Sector Banks serious about the risk-return trade-off on one hand and maximization of the shareholders’ value, on the other. Maximizing the shareholders’ value has, in fact, assumed paramount importance, particularly for the banks, which have gone public, because, these banks are now accountable to millions of their shareholders rather than the Union Government as their single shareholder. This has propelled the Public Sector Banks to become conscious of their performance on a continuous basis and shift the focus from expansion (volume) to efficiency (margin).

In the process of globalization, our country is flooded with several foreign banks and their ATM stations. The foreign banks have introduced various innovative customer services such as use of card money, e-banking, merchant banking, hire purchase, mutual funds, venture capital, factoring services etc., which lead to severe competition in the Indian banking system.

The number of priorities required to be followed to make the Indian banking sector in general and Public Sector Banks in particular to become sound and vibrant include, up-gradation of technology, change in human resource policies, improvement of efficiency, follow of ethics, implementation Basel II, improving risk management systems, implementation of new accounting standards, transparency and disclosures, supervision of financial conglomerates, corporate governance, redesigning of rural banking etc.,

The main purpose of this research study is to see how far public sector banks in general and State Bank of Hyderabad and Andhra Bank in particular have adopted the recommendations of the Narasimham Committee, and whether their performance is up to the expectations of the Committee. In other words, this study aims at evaluating the performance of Andhra Bank and State Bank of Hyderabad in the post-reform period and to assess how far these banks have been successful in achieving the parameters set by the Committee.