1.1 THE CONCEPT

The meaning of the bank can be understood only by its function just as a tree is known by its fruits. As any other subject, it has its own origin, growth and development. The word ‘bank’ is traced from the German word “Banck” which means, heap or mound or joint stock fund. Most of the people have the opinion that the word “bank” is derived from the French word “bancus”¹ of “banque” that means a “bench”. Initially, the bankers, the Jews in Lombardy, transacted their business on benches in the market place and the bench resembled the banking counter. If a banker failed, his ‘banque’ (bench) was broken up by the people; hence the word “bankrupt”² has come. Hence, a bank is known as an institution that deals with money and credit.

Different people understand the meaning of a bank in different ways. For a common man, bank means a storehouse where money is stored; for a businessman, it is a financial institution and for a day to day customer, it is an institution where he can deposit his savings. In reality banks are service organization selling financial services.

Banks play an important role in the economy of any country as they hold the savings of the public provide means of payment for goods and services and too provide necessary finance for the development of business and trade. Thus, bank is a link in the flow of funds from savers to the users. Thus, bank is an intermediary that handles other people’s money both for the advantages and to its own profits. But bank is not merely a trader in money but also an important manufacturer of money. More systematically, it is also

1. Bancus – Alternative of bank

2. Bankrupt – A person who has lost all his money, wealth or financial resources.
understood that a bank is a factory of credit. When we go through the definitions of bank, this literal meaning explores as discussed above.

Crowther defines a bank as, “one that collects money from those who have it to spare or who are saving it out of their income and lends the money so collected to those who require it”. According to Section f(1) (b), “Banking means accepting for the purpose of lending of investment, of deposit of money from the public, repayable on demand or otherwise and withdraw able by cheques, draft, order or otherwise”.

According to Prof. Sayers, “A Bank is an institution whose debts are widely accepted in settlement of other people’s debts to each other.” In this definition Sayers has emphasized the transactions from debts which are raised by financial institutions. According to the Indian Banking Company Act 1949, “A banking company means any company which transacts the business of banking. Banking means accepting for the purpose of lending of investment of deposits of money from the public, payable on demand or other wise and withdraw able by cheque, draft or otherwise.”

Hence, it is evident from the foregone discussion that bank is an organization, usually a corporation, chartered by a state or federal government, which does mostly performing the activities of or all of the following: receives demand deposits and time deposits, honors instruments drawn on them, and pays interest on them; discounts notes, makes loans, and invests in securities; collects check drafts, and notes; certifies depositor’s cheques; and issues drafts and cashier’s cheques.
1.2 FUNCTIONS OF A BANK

Functioning of a Bank is among the more complicated of corporate operations as it involves in dealing directly with money. It is due to such reason the governments in most countries regulate this sector very stringently. Banks essentially perform various functions which can be derived from the definition and viewed solely from the point of view of customers. Hence, the functions may range from accepting deposits, lending and all other activities (see figure I for details).

**Figure I**

![Diagram of Functions of Commercial Banks]

Source: Google search
1.2.1 Accepting Deposits

The most significant and traditional function of commercial bank is accepting deposit from the public. In case of current deposits, no interest is paid by the bank but the depositor can withdraw his money anytime he likes without notice. Savings deposits are paid a small rate of interest and the bank imposes certain restrictions on the withdrawal of money. Fixed deposits are made by the persons who have idle money with them. They can withdraw their money only after the expiry of the fixed period of time. These deposits carry the highest rate of interest that depends on the period for which the money is deposited.

1.2.2 Providing Loans

Banks provide loans against approved securities to the public and companies. Loans can be granted in the form of cash credit, short-term loan, overdraft, discounting of bills and demand loans. Under cash credit system, borrower is sanctioned a credit limit up to which he can borrow from the bank. The interest is calculated on the amount actually withdrawn. Short-term loans are given as personal loans against some security. The interest is payable on the entire sum of loan granted. In case of overdraft, a person is allowed to overdraw his current account to a certain limit as specified by the bank. The interest is paid on the amount outstanding against his balance and not on the amount of loan sanctioned. A bill of exchange is drawn by a creditor on the debtor specifying the amount of debt and the date on which it is payable. Before the maturity of the bill, a debtor can get it discounted from the bank paying a very small interest.
1.2.3 Credit Creation

A bank can be called the factory or the manufacturer of the credit. In the process of accepting and depositing money, banks multiply credit in the economy. It depends on cash reserve ratio.

1.2.4 Transfer of Funds

Commercial banks can transfer funds of a customer to other customer’s accounts in the same or the different bank through cheques, drafts, mail transfers, telegraphic transfers etc.

1.2.5 Agency Functions

a) Collection of bills, drafts etc.

b) Collection of interest, dividends etc. on the behalf of the customers.

c) Payment of interests, installment of loans, insurance premium etc.

d) Purchase and sale of securities.

e) Banks also executes the will of their customers after their deaths.

1.2.6 Other Functions

a) Payment of credit letters and travelers’ cheques, gift cheques, bank draft etc.

b) Banks also provide locker services for the valuable securities of their customers and charge a very nominal fee.

c) Banks also deals in foreign exchange. Such banks are usually called foreign exchange banks.
There are various other functions that the bank performs but they cannot be cited here as some of the functions differ from bank to bank. For example, some banks provide the facility of credit cards and online banking whereas many other do not. These are some of the modern functions of the bank. Commercial banks are the backbone of any economy. Be it India or America, Industries and agriculture flourish due to these banks. These banks mobilize the savings of people that results in capital formation.

1.3 PRODUCTS OFFERED BY BANKS

A Product can be defined as the bundle of utilities consisting of various product features accompanying services. In view of several developments in the 1990s, the entire banking products structure has undergone a major change. As part of the economic reforms, banking industry has been deregulated and made competitive. New players have added to the competition. IT revolution has made it possible to provide ease and flexibility in operations to customers. Rapid strides in information technology have, in fact, redefined the role and structure of banking in India. Bank services are viewed with not just think that are created with value but they are seen in terms of satisfaction they are derived. Hence, bank account is seen in term of customer satisfaction such as safety, convenience of paying dues, keeping records, status, transferring funds etc.

1.3.1 Types of Deposits

1. Current Deposits

Also called ‘demand deposit’, current deposit can be withdrawn by the depositor at any time by cheques. Businessmen generally open current
accounts with banks. Current accounts do not carry any interest as the amount deposited in these accounts is repayable on demand without any restriction. The Reserve bank of India prohibits payment of interest on current accounts or on deposits up to 14 Days or less except where prior sanction has been obtained. Banks usually charge a small amount known as incidental charges on current deposits accounts depending on the number of transaction.

2. **Savings Deposit/Savings Bank Accounts**

Savings deposit account is meant for individuals who wish to deposit small amounts out of their current income. It helps in safe guarding their future and also earning interest on the savings. A saving account can be opened with or without cheque book facility. There are restrictions on the withdrawals from this account. Savings account holders are also allowed to deposit cheques, drafts, dividend warrants etc. drawn in their favor for collection by the bank. To open a saving account, it is necessary for the depositor to be introduced by a person having a current or savings account with the same bank.

3. **Fixed Deposit**

The term ‘Fixed deposit’ means deposit repayable after the expiry of a specified period. Since it is repayable only after a fixed period of time, which is to be determined at the time of opening of the account, it is also known as time deposit. Fixed deposits are most useful for a commercial bank. Since they are repayable only after a fixed period, the bank may invest these funds more profitably by lending at higher rates of interest and for relatively longer periods. The rate of interest on fixed deposits depends upon the period of deposits. The longer the period, the higher is the
rate of interest offered. The rate of interest to be allowed on fixed deposits is governed by rules laid down by the Reserve Bank of India.

4. **Recurring Deposits**

Recurring Deposits are gaining wide popularity these days. Under this type of deposit, the depositor is required to deposit a fixed amount of money every month for a specific period of time. Each installment may vary from Rs. 5/- to Rs. 500/- or more per month and the period of account may vary from 12 months to 10 years. After the completion of the specified period, the customer gets back all his deposits along with the cumulative interest accrued on the deposits.

4. **Miscellaneous Deposits**

Banks have introduced several deposit schemes to attract deposits from different types of people, like home construction deposit scheme, sickness benefit deposit scheme, children gift plan, old age pension scheme, mine deposit scheme, etc.

1.3.2 **Types of Loans**

1. **Cash Credit**

A cash credit is an arrangement whereby the bank agrees to lend money to the borrower up to a certain limit. The bank puts this amount of money to the credit of the borrower. The borrower draws the money as and when he needs. Interest is charged only on the amount actually drawn and not on the amount placed to the credit of borrower’s account. Cash credit is
generally granted on a bond of credit or certain other securities. This is a very popular method of lending in our country.

2. Loans

A specified amount sanctioned by a bank to the customer is called a ‘loan’. It is granted for a fixed period say six months or a year. The specified amount is put on the credit of the borrower’s account. He can withdraw this amount in lump sum or can draw cheques against this sum for any amount. Interest is charged on the full amount even if the borrower does not utilize it. The rate of interest is lower on loans in comparison to cash credit. A loan is generally granted against the security of property or personal security. The loan may be repaid in lump sum or in installments. Every bank has its own procedure of granting loans. Hence a bank is at liberty to grant loan depending on its own resources.

The loan can be granted as:

a) Demand loan

b) Term loan

a) Demand Loan: Demand loan is repayable on demand. In other words it is repayable at short notice. The entire amount of demand loan is disbursed at one time and the borrower has to pay interest on it. The borrower can repay the loan either in lump sum (one time) or as agreed with the bank. Loans are normally granted by the bank against tangible securities including securities like N.S.C., Kissan Vikas Patra, Life Insurance policies and U.T.I. Certificates.

b) Term Loans: Medium and long term loans are called ‘Term loans’. Term loans are granted for more than one year and repayment of such loans is
spread over a longer period. The repayment is generally made in suitable installments of fixed amount. These loans are repayable over a period of 5 years and maximum up to 15 years. Term loan is required for the purpose of setting up of new business activity, renovation, modernization, expansion/extension of existing units, purchase of plant and machinery, vehicles, land for setting up a factory, construction of factory building or purchase of other immovable assets. These loans are generally secured against the mortgage of land, plant and machinery, building and other securities. The normal rate of interest charged for such loans is generally quite high.

3. Bank Overdraft

Overdraft facility is more or less similar to cash credit facility. Overdraft facility is the result of an agreement with the bank by which a current account holder is allowed to withdraw a specified amount over the above the credit balance in his/her account. It is a short-term facility. This facility is made available to current account holders who operate their account through cheques. The customer is permitted to withdraw the amount as and when he/she needs it and to repay it through deposits in his account as and when it is convenient to him/her. Overdraft facility is generally granted by bank on the basis of a written request by the customer. Sometimes, banks also insist on either a promissory note from the borrower or personal security to ensure safety of funds. Interest is charged on actual amount withdrawn by the customer. The interest rate on overdraft is higher than that of the rate on loan.
4. **Discounting of Bills**

Apart from granting cash credit, loans and overdraft, banks also grant financial assistance to customers by discounting bills of exchange. Banks purchase the bills at face value minus interest at current rate of interest for the period of the bill. This is known as ‘discounting of bills’. Bills of exchange are negotiable instruments and enable the debtors to discharge their obligations towards their creditors. Such bills of exchange arise out of commercial transactions both in internal trade and external trade. By discounting these bills before they are due for a nominal amount, the banks help the business community. Of course, the banks recover the full amount of these bills from the persons liable to make payment.

5. **Housing Finance**

Now-a-days, the commercial are banks competing among themselves in providing housing loans to their customers. It is mainly to increase housing facilities in the country. Indian Government has encouraged all the commercial banks to provide housing loans. As the borrowers of housing loan get income tax exemption on interest paid, there is demand for such type of deal.

6. **Education Loan Scheme**

This is the scheme launched by RBI in 1999 august. This scheme provides the facility for the full time graduate or Post-graduate students offering professional course in private colleges. The student is supposed to receive Rs. 15000/- loan if the seat is free and for the paid seat Rs. 50000/- with interest @12% P.A. The family income of the student should not be
more than Rs. 100000/- P.A. The student is supposed to repay it within five years from the date of completion of his studies.

7. **Loan against securities/Saving Certificates**

Commercial banks provide loan against securities, shares, saving certificates such as fixed deposit. Usually loan is given up to 50% against such securities. The loan may be obtained for personal or business use.

**1.4 HISTORY OF BANK IN INDIA**

Without a sound and effective banking system in India it cannot have a healthy economy. The banking system of India should not only be hassle free but it should be able to meet new challenges posed by the technology and any other external and internal factors. The Government’s regular policy for Indian bank since 1969 has paid rich dividends with the nationalization of 14 major private banks of India. The first bank in India, though conservative, was established in 1786. From 1786 till today, the journey of Indian Banking System can be segregated into three distinct phases. They are as mentioned below:

- Early phase from 1786 to 1969 of Indian Banks

- Nationalization of Indian Banks and up to 1991 prior to Indian banking sector Reforms.

- New phase of Indian Banking System with the advent of Indian Financial and Banking Sector Reforms after 1991.

- To make this write-up more explanatory, I prefix the scenario as Phase I, Phase II and Phase III.
1.4.1 Phase I

The General Bank of India was set up in the year 1786. Next came Bank of Hindustan and Bengal Bank. The East India Company established Bank of Bengal (1809), Bank of Bombay (1840) and Bank of Madras (1843) as independent units and called it Presidency Banks. These three banks were amalgamated in 1920 and Imperial Bank of India was established which started as private shareholders banks, mostly Europeans shareholders. In 1865 Allahabad Bank was established and first time exclusively by Indians, Punjab National Bank Ltd. was set up in 1894 with headquarters at Lahore. Between 1906 and 1913, Bank of India, Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank, and Bank of Mysore were set up. Reserve Bank of India came in 1935. During the first phase the growth was very slow and banks also experienced periodic failures between 1913 and 1948. There were approximately 1100 banks, mostly small to streamline the functioning and activities of commercial banks, the Government of India came up with the Banking Companies Act, 1949 which was later changed to Banking Regulation Act 1949 as per amending Act of 1965 (Act No. 23 of 1965). Reserve Bank of India was vested with extensive powers for the supervision of banking in India as the Central Banking Authority.

1.4.2 Phase II

Government took major steps in this Indian Banking Sector Reform after independence. In 1955, it nationalized Imperial Bank of India with extensive banking facilities on a large scale especially in rural and semi-urban areas. It formed State Bank of India to act as the principal agent of RBI and to handle banking transactions of the Union and State Governments all over the country. Seven banks forming subsidiary of State Bank of India was nationalized in 1960 on 19th July, 1969, major process of nationalization was carried out. It was the effort of
the then Prime Minister of India, Mrs. Indira Gandhi. 14 major commercial banks in the country was nationalized. Second phase of nationalization Indian Banking Sector Reform was carried out in 1980 with seven more banks. This step brought 80% of the banking segment in India under Government ownership.

The following are the steps taken by the Government of India to Regulate Banking Institutions in the country:

- 1949: Enactment of Banking Regulation Act.
- 1955: Nationalization of State Bank of India
- 1959: Nationalization of SBI subsidiaries.
- 1961: Insurance cover extended to deposits.
- 1965: Nationalization of 14 major banks.
- 1971: Creation of Credit guarantee corporation
- 1975: Creation of regional rural banks.
- 1980: Nationalization of seven banks with deposits over 200 crores.

After the nationalization of banks, the branches of the public sector bank India rose to approximately 800% in deposits and advances took a huge jump by 11,000%.

1.4.3 Phase III

This phase has introduced many more products and facilities in the banking sector in its reforms measure. In 1991, under the chairmanship of M. Narasimham, a committee was set up by his name which worked for the liberalization of banking practices the country is flooded with foreign banks and their ATM stations. Efforts
are being put to give a satisfactory service to customers. Phone banking and net banking is introduced. The entire system became more convenient and swift. Time is given more importance than money. The financial system of India has shown a great deal of resilience. It is sheltered from any crisis triggered by any external macroeconomics shock as other East Asian Countries suffered. This is all due to a flexible exchange rate regime the foreign reserves are high, the capital account is not yet fully convertible, and banks and their customers have limited foreign exchange exposure.

**1.5 STRUCTURE OF INDIAN BANKING SYSTEM**

The banking sector in India comprises of banks, big and small, Public and Private, old and new, viable non-viable. There are wide diversities in their sizes, organizational patterns, geographical presence and functional specialization. Indian Commercial banks operate both in urban and rural areas. There are regional rural banks operating only in rural areas. The new area banks function only in the rural and semi-urban areas. The foreign banks function in cities and ports (see figure 2 for broad classification of Indian Banks)

Figure II

Structure of Indian Banking System

Source: Google images
1.5.1 The RBI

The RBI is the supreme monetary and banking authority in the country and has the responsibility to control the banking system in the country. It keeps the reserves of all the scheduled banks and hence is known as the “Reserve Bank”

1.5.2 Public Sector Banks

Public sector banks are the ones in which the government has a major holding. They are divided into two groups i.e. Nationalized Banks and State Bank of India and its associates. Among them, there are 19 nationalized banks and 8 State Bank of India associates. Public Sector Banks dominate 75% of deposits and 71% of advances in the banking industry. Public Sector Banks dominate commercial banking in India. These can be further classified into:

- **State Bank of India and its Associates (8)**
  - State Bank of India
    - State Bank of Bikaner & Jaipur
    - State Bank of Hyderabad
    - State Bank of Indore
    - State Bank of Mysore
    - State Bank of Patiala
    - State Bank of Saurashtra
    - State Bank of Travancore

- **Nationalized Banks (19)**
  - Allahabad Bank
  - Andhra Bank
  - Bank of Baroda
Regional Rural Banks Sponsored by Public Sector Banks (83)

LIST OF 83 REGIONAL RURAL BANKS

The figure in the brackets indicates the number of branches of that bank

<table>
<thead>
<tr>
<th>S. No</th>
<th>Name of RRB</th>
<th>Name of Sponsor Bank</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>ANDHRA PRAGATHI GRAMEENA BANK</td>
<td>SYNDICATE BANK</td>
<td>ANDHRA PRADESH</td>
</tr>
<tr>
<td>No.</td>
<td>State</td>
<td>Bank Name</td>
<td>State Bank</td>
</tr>
<tr>
<td>-----</td>
<td>-------</td>
<td>------------</td>
<td>------------</td>
</tr>
<tr>
<td>2</td>
<td>Andhra Pradesh</td>
<td>ANDHRA PRADESH GRAMEENA VIKAS BANK</td>
<td>STATE BANK OF INDIA</td>
</tr>
<tr>
<td>3</td>
<td>Andhra Pradesh</td>
<td>CHAITANYA GODAVARI GRAMEENA BANK</td>
<td>ANDHRA BANK</td>
</tr>
<tr>
<td>4</td>
<td>Andhra Pradesh</td>
<td>DECCAN GRAMEENA BANK</td>
<td>STATE BANK OF HYDERABAD</td>
</tr>
<tr>
<td>5</td>
<td>Andhra Pradesh</td>
<td>SAPTAGIRI GRAMEENA BANK</td>
<td>INDIAN BANK</td>
</tr>
<tr>
<td>6</td>
<td>Andhra Pradesh</td>
<td>ARUNACHAL PRADESH RURAL BANK</td>
<td>STATE BANK OF INDIA</td>
</tr>
<tr>
<td>7</td>
<td>Assam</td>
<td>LANGPI DEHANGI RURAL BANK</td>
<td>STATE BANK OF INDIA</td>
</tr>
<tr>
<td>8</td>
<td>Assam</td>
<td>ASSAM GRAMIN VIKASH BANK</td>
<td>UNITED BANK OF INDIA</td>
</tr>
<tr>
<td>9</td>
<td>Bihar</td>
<td>UTTAR BIHAR GRAMIN BANK</td>
<td>CENTRAL BANK OF INDIA</td>
</tr>
<tr>
<td>10</td>
<td>Bihar</td>
<td>MADHYA BIHAR GRAMIN BANK</td>
<td>PUNJAB NATIONAL BANK</td>
</tr>
<tr>
<td>11</td>
<td>Bihar</td>
<td>SAMASTIPUR KSHETRIYA GRAMIN BANK</td>
<td>STATE BANK OF INDIA</td>
</tr>
<tr>
<td>No.</td>
<td>Bank Name</td>
<td>Bank Name</td>
<td>State</td>
</tr>
<tr>
<td>-----</td>
<td>----------------------------------</td>
<td>----------------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>12</td>
<td>BIHAR KSHETRIYA GRAMIN BANK</td>
<td>UCO BANK</td>
<td>BIHAR</td>
</tr>
<tr>
<td>13</td>
<td>SURGUJA KSHETRIYA GRAMIN BANK</td>
<td>CENTRAL BANK OF INDIA</td>
<td>CHATTIS-GARH</td>
</tr>
<tr>
<td>14</td>
<td>DURG RAJNANDGAON GRAMIN BANK</td>
<td>DENA BANK</td>
<td>CHATTIS-GARH</td>
</tr>
<tr>
<td>15</td>
<td>CHHATTISGARH GRAMIN BANK</td>
<td>STATE BANK OF INDIA</td>
<td>CHATTIS-GARH</td>
</tr>
<tr>
<td>16</td>
<td>BARODA GUJARAT GRAMIN BANK</td>
<td>BANK OF BARODA</td>
<td>GUJARAT</td>
</tr>
<tr>
<td>17</td>
<td>DENA GUJARAT GRAMIN BANK</td>
<td>DENA BANK</td>
<td>GUJURAT</td>
</tr>
<tr>
<td>18</td>
<td>SAURASHTRA GRAMIN BANK</td>
<td>STATE BANK OF INDIA</td>
<td>GUJARAT</td>
</tr>
<tr>
<td>19</td>
<td>HARYANA GRAMIN BANK</td>
<td>PUNJAB NATIONAL BANK</td>
<td>HARYANA</td>
</tr>
<tr>
<td>20</td>
<td>GURGAON GRAMIN BANK</td>
<td>SYNDICATE BANK</td>
<td>HARYANA</td>
</tr>
<tr>
<td>21</td>
<td>HIMACHAL GRAMIN BANK</td>
<td>PUNJAB NATIONAL BANK</td>
<td>HIMACHAL</td>
</tr>
<tr>
<td>22</td>
<td>PARVATIYA GRAMIN BANK CHAMBA</td>
<td>STATE BANK OF INDIA</td>
<td>HIMACHAL</td>
</tr>
<tr>
<td>No.</td>
<td>Bank Name</td>
<td>Parent Bank</td>
<td>State/Region</td>
</tr>
<tr>
<td>-----</td>
<td>----------------------------</td>
<td>----------------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>23</td>
<td>ELLAQUAI DEHATI BANK</td>
<td>STATE BANK OF INDIA</td>
<td>JAMMU &amp; KASHMIR</td>
</tr>
<tr>
<td>24</td>
<td>J&amp;K GRAMEEN BANK</td>
<td>J&amp;K BANK LTD</td>
<td>JAMMU &amp; KASHMIR</td>
</tr>
<tr>
<td>25</td>
<td>JHARKHAND GRAMIN BANK</td>
<td>BANK OF INDIA</td>
<td>JHARKHAND</td>
</tr>
<tr>
<td>26</td>
<td>VANANCHAL GRAMIN BANK</td>
<td>STATE BANK OF INDIA</td>
<td>JHARKHAND</td>
</tr>
<tr>
<td>27</td>
<td>PRAGATHI GRAMIN BANK</td>
<td>CANARA BANK</td>
<td>KARNATAKA</td>
</tr>
<tr>
<td>28</td>
<td>CHIKMAGALUR KODAGU GRAMEENA BANK</td>
<td>CORPORATION BANK</td>
<td>KARNATAKA</td>
</tr>
<tr>
<td>29</td>
<td>KRISHNA GRAMEENA BANK</td>
<td>STATE BANK OF INDIA</td>
<td>KARNATAKA</td>
</tr>
<tr>
<td>30</td>
<td>CAUVERY KALPATHARU GRAMEENA BANK</td>
<td>STATE BANK OF MYSORE</td>
<td>KARNATAKA</td>
</tr>
<tr>
<td>31</td>
<td>KARNATAKA VIKAS GRAMEENA BANK</td>
<td>SYNDICATE BANK</td>
<td>KARNATAKA</td>
</tr>
<tr>
<td>32</td>
<td>VISVESHVARAYA GRAMEENA BANK</td>
<td>VIJAYA BANK</td>
<td>KARNATAKA</td>
</tr>
<tr>
<td>33</td>
<td>SOUTH MALABAR GRAMIN BANK</td>
<td>CANARA BANK</td>
<td>KERALA</td>
</tr>
<tr>
<td>No.</td>
<td>Bank Name</td>
<td>Bank Name</td>
<td>State</td>
</tr>
<tr>
<td>-----</td>
<td>---------------------------</td>
<td>--------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>34</td>
<td>NORTH MALABAR GRAMIN BANK</td>
<td>SYNDICATE BANK</td>
<td>KERALA</td>
</tr>
<tr>
<td>35</td>
<td>JHABUA-DHAR KSHETRIYA GRAMIN BANK</td>
<td>BANK OF BARODA</td>
<td>MADHYA PRADESH</td>
</tr>
<tr>
<td>36</td>
<td>MADHYA BHARATH GRAMIN BANK</td>
<td>STATE BANK OF INDIA</td>
<td>MADHYA PRADESH</td>
</tr>
<tr>
<td>37</td>
<td>MAHAKAUSHAL KSHETRIYA GRAMIN BANK</td>
<td>UCO BANK</td>
<td>MADHYA PRADESH</td>
</tr>
<tr>
<td>38</td>
<td>NARMADA-MALWA GRAMIN BANK</td>
<td>BANK OF INDIA</td>
<td>MADHYA PRADESH</td>
</tr>
<tr>
<td>39</td>
<td>REWA-SIDHI GRAMIN BANK</td>
<td>UNION BANK OF INDIA</td>
<td>MADHYA PRADESH</td>
</tr>
<tr>
<td>40</td>
<td>SATPURA NARMADA KSHETRIYA GRAMIN BANK</td>
<td>CENTRAL BANK OF INDIA</td>
<td>MADHYA PRADESH</td>
</tr>
<tr>
<td>41</td>
<td>SHARDA GRAMIN BANK</td>
<td>ALLAHABAD BANK</td>
<td>MADHYA PRADESH</td>
</tr>
<tr>
<td>42</td>
<td>VIDISHA-BHOPAL KSHETRIYA GRAMIN BANK</td>
<td>STATE BANK OF INDORE</td>
<td>MADHYA PRADESH</td>
</tr>
<tr>
<td>43</td>
<td>MAHARASHTRA GRAMIN BANK</td>
<td>BANK OF MAHARASHTRA</td>
<td>MAHARASHTRA(3)</td>
</tr>
<tr>
<td>44</td>
<td>VIDARBHA KSHETRIYA GRAMIN BANK</td>
<td>CENTRAL BANK OF INDIA</td>
<td>MAHARASHTRA</td>
</tr>
<tr>
<td>45</td>
<td>WAINGANGA KRISHNA GRAMIN BANK</td>
<td>BANK OF MAHARASHTRA</td>
<td>MAHARASHTRA</td>
</tr>
<tr>
<td>46</td>
<td>MANIPUR RURAL BANK</td>
<td>UNITED BANK OF INDIA</td>
<td>MANIPUR (1)</td>
</tr>
<tr>
<td>47</td>
<td>MEGHALAYA RURAL BANK</td>
<td>STATE BANK OF INDIA</td>
<td>MEGHALAYA</td>
</tr>
<tr>
<td>48</td>
<td>MIZORAM RURAL BANK</td>
<td>STATE BANK OF INDIA</td>
<td>MIZORAM</td>
</tr>
<tr>
<td>49</td>
<td>NAGALAND RURAL BANK</td>
<td>STATE BANK OF INDIA</td>
<td>NAGALAND</td>
</tr>
<tr>
<td>50</td>
<td>BAITARANI GRAMYA BANK</td>
<td>BANK OF INDIA</td>
<td>ORISSA</td>
</tr>
<tr>
<td>51</td>
<td>KALINGA GRAMYA BANK</td>
<td>UCO BANK</td>
<td>ORISSA</td>
</tr>
<tr>
<td>52</td>
<td>NEELACHAL GRAMYA BANK</td>
<td>INDIAN OVERSEAS BANK</td>
<td>ORISSA</td>
</tr>
<tr>
<td>53</td>
<td>RUSHIKULYA GRAMYA BANK</td>
<td>ANDHRA BANK</td>
<td>ORISSA (5)</td>
</tr>
<tr>
<td>#</td>
<td>Bank Name</td>
<td>Parent Bank Name</td>
<td>City</td>
</tr>
<tr>
<td>----</td>
<td>---------------------------------</td>
<td>--------------------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td>54</td>
<td>Utkal Gramya Bank</td>
<td>State Bank of India</td>
<td>Orissa</td>
</tr>
<tr>
<td>55</td>
<td>Puduvai Bharathiya Grama Bank</td>
<td>Indian Bank</td>
<td>Puducherry(1)</td>
</tr>
<tr>
<td>56</td>
<td>Sutlej Grama Bank</td>
<td>Punjab &amp; Sind Bank</td>
<td></td>
</tr>
<tr>
<td>57</td>
<td>Malwa Grama Bank</td>
<td>State Bank of Patiala</td>
<td>Punjab</td>
</tr>
<tr>
<td>58</td>
<td>Punjab Grama Bank</td>
<td>Punjab National Bank</td>
<td>Punjab</td>
</tr>
<tr>
<td>59</td>
<td>Baroda Rajasthan Grama Bank</td>
<td>Bank of Baroda</td>
<td>Rajasthan (6)</td>
</tr>
<tr>
<td>60</td>
<td>Hadoti Kshetriya Grama Bank</td>
<td>Central Bank of India</td>
<td>Rajasthan</td>
</tr>
<tr>
<td>61</td>
<td>Jaipur Thar Grama Bank</td>
<td>Uco Bank</td>
<td>Rajasthan</td>
</tr>
<tr>
<td>62</td>
<td>Mewar Anch Grama Bank</td>
<td>Bank of Rajasthan</td>
<td>Rajasthan</td>
</tr>
<tr>
<td>63</td>
<td>Mgb Grama Bank</td>
<td>State Bank of Bikaner &amp;</td>
<td>Rajasthan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Jaipur</td>
<td></td>
</tr>
<tr>
<td>64</td>
<td>Rajasthan Grama Bank</td>
<td>Punjab National Bank</td>
<td>Rajasthan</td>
</tr>
<tr>
<td></td>
<td>Bank Name</td>
<td>Associated Bank</td>
<td>State</td>
</tr>
<tr>
<td>---</td>
<td>----------------------------------</td>
<td>----------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>65</td>
<td>PALLAVAN GRAMA BANK</td>
<td>INDIAN BANK</td>
<td>TAMIL NADU</td>
</tr>
<tr>
<td>66</td>
<td>PANDYAN GRAMIN BANK</td>
<td>INDIAN OVERSEAS BANK</td>
<td>TAMIL NADU</td>
</tr>
<tr>
<td>67</td>
<td>TRIPURA GRAMIN BANK</td>
<td>UNITED BANK OF INDIA</td>
<td>TRIPURA</td>
</tr>
<tr>
<td>68</td>
<td>ARYAVART GRAMIN BANK</td>
<td>BANK OF INDIA</td>
<td>UTTAR PRADESH</td>
</tr>
<tr>
<td>69</td>
<td>BALLIA-ETAWAH GRAMIN BANK</td>
<td>CENTRAL BANK OF INDIA</td>
<td>UTTAR PRADESH</td>
</tr>
<tr>
<td>70</td>
<td>BARODA UP GRAMIN BANK</td>
<td>BANK OF BARODA</td>
<td>UTTAR PRADESH</td>
</tr>
<tr>
<td>71</td>
<td>KASHI GOMTI SAMYUT GRAMIN BANK</td>
<td>UNION BANK OF INDIA</td>
<td>UTTAR PRADESH</td>
</tr>
<tr>
<td>72</td>
<td>KSHETRIYA KISAN GRAMIN BANK</td>
<td>UP STATE COOP. BANK</td>
<td>UTTAR PRADESH</td>
</tr>
<tr>
<td>73</td>
<td>LUCKNOW KSHETRIYA GRAMIN BANK</td>
<td>ALLAHABAD BANK</td>
<td>UTTAR PRADESH</td>
</tr>
<tr>
<td>74</td>
<td>PRATHAMA BANK</td>
<td>SYNDICATE BANK</td>
<td>UTTAR PRADESH</td>
</tr>
<tr>
<td>75</td>
<td>PURVANCHAL GRAMIN BANK</td>
<td>STATE BANK OF INDIA</td>
<td>UTTAR PRADESH</td>
</tr>
</tbody>
</table>
1.5.3 Private Sector Banks

The part of the economy that is not state controlled, and is run by individuals and companies for profit. The private sector encompasses all for-profit businesses that are not owned or operated by the government. Companies and corporations that are

<table>
<thead>
<tr>
<th>No.</th>
<th>Bank Name</th>
<th>State Bank Name</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td>76</td>
<td>SARVA UP GRAMIN BANK</td>
<td>PUNJAB NATIONAL BANK</td>
<td>UTTAR PRADESH</td>
</tr>
<tr>
<td>77</td>
<td>SHREYAS GRAMIN BANK</td>
<td>CANARA BANK</td>
<td>UTTAR PRADESH</td>
</tr>
<tr>
<td>78</td>
<td>TRIVENI KSHETRIYA GRAMIN BANK</td>
<td>ALLAHABAD BANK</td>
<td>UTTAR PRADESH</td>
</tr>
<tr>
<td>79</td>
<td>NAINITAL-ALMORA KSHETRIYA GRAMIN BANK</td>
<td>BANK OF BARODA</td>
<td>UTTARAKHAND(2)</td>
</tr>
<tr>
<td>80</td>
<td>UTTARANCHAL GRAMIN BANK</td>
<td>STATE BANK OF INDIA</td>
<td>UTTARAKHAND</td>
</tr>
<tr>
<td>81</td>
<td>UTTARBANGA KSHETRIYA GRAMIN BANK</td>
<td>CENTRAL BANK OF INDIA</td>
<td>WEST BENGAL(3)</td>
</tr>
<tr>
<td>82</td>
<td>BANGIYA GRAMIN VIKASH BANK</td>
<td>UNITED BANK OF INDIA</td>
<td>WEST BENGAL</td>
</tr>
<tr>
<td>83</td>
<td>PASCHIM BANGA GRAMIN BANK</td>
<td>UCO BANK</td>
<td>WEST BENGAL</td>
</tr>
</tbody>
</table>
government run are part of what is known as the public sector, while charities and other nonprofit organizations are part of the voluntary sector.

**Old Generation Private Banks (22)**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Bank Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Axis Bank</td>
</tr>
<tr>
<td>2.</td>
<td>Bank of Rajasthan</td>
</tr>
<tr>
<td>3.</td>
<td>Catholic Syrian Bank</td>
</tr>
<tr>
<td>4.</td>
<td>City Union Bank</td>
</tr>
<tr>
<td>5.</td>
<td>Development Credit Bank</td>
</tr>
<tr>
<td>6.</td>
<td>Dhanalakshmi Credit Bank</td>
</tr>
<tr>
<td>7.</td>
<td>Federal Bank</td>
</tr>
<tr>
<td>8.</td>
<td>HDFC Bank</td>
</tr>
<tr>
<td>9.</td>
<td>ICICI Bank</td>
</tr>
<tr>
<td>10.</td>
<td>IndusInd Bank</td>
</tr>
<tr>
<td>11.</td>
<td>ING Vysya Bank</td>
</tr>
<tr>
<td>12.</td>
<td>Jammu &amp; Kashmir Bank</td>
</tr>
<tr>
<td>13.</td>
<td>Karnataka Bank</td>
</tr>
<tr>
<td>14.</td>
<td>Karur Vysya Bank</td>
</tr>
<tr>
<td>15.</td>
<td>Kotak Mahindra Bank</td>
</tr>
<tr>
<td>16.</td>
<td>Lakshmi Vilas Bank</td>
</tr>
<tr>
<td>17.</td>
<td>Nainital Bank</td>
</tr>
<tr>
<td>18.</td>
<td>Ratnakar Bank</td>
</tr>
<tr>
<td>19.</td>
<td>SBI Comm. &amp; Intl. Bank</td>
</tr>
<tr>
<td>20.</td>
<td>South Indian Bank</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>21.</td>
<td>Tamilnad Mercantile Bank</td>
</tr>
<tr>
<td>22.</td>
<td>Yes Bank</td>
</tr>
</tbody>
</table>

**Foreign New Generation Private Banks (8)**

- Bank of Punjab*
- Centurion Bank
- HDFC Bank
- ICICI Bank
- IDBI Bank
- IndusInd Bank
- Kotak Mahindra
- UTI Bank
- Yes Bank

*now merged with Centurion Bank

**1.5.4 Co-operative Sector Banks**

A co-operative bank is a financial entity which belongs to its members, who are at the same time the owners and the customers of their bank. Co-operative banks are often created by persons belonging to the same local or professional community or sharing a common interest. Co-operative banks generally provide their members with a wide range of banking and financial services.

- State Co-operative Banks
- Central Co-operative Banks
- Primary Agricultural Credit Societies
• Land Development Banks

• State Land Development Banks

➤ Retail Bank

A Retail bank is a bank that works with consumers, otherwise known as ‘retail customers’. Retail banks provide basic banking services to the general public, including:

• Checking and savings accounts

• CDs

• Safe deposit boxes

• Mortgages and second mortgages

• Auto loans

• Unsecured and revolving loans such as credit cards

➤ Commercial Bank

Commercial banks handle banking needs for large and small businesses, including:

• Basic accounts such as savings and checking

• Lending money for real and capital purchases

• Lines of credit

• Lockbox services

• Payment and transaction processing
Commercial banks often function as retail banks as well, serving individuals along with businesses.

1.6 CLASSIFICATION OF BANKS

1.6.1 Scheduled Banks

The second schedule of the Reserve Bank of India Act, contains a list of banks which are described as ‘Scheduled Banks’. A bank in order to be designated as a scheduled bank should have a paid up capital and reserves as a prescribed by the Act. As per Section 42 (6) of the Reserve Bank of India Act, 1934, the required amount is only Rs. 5 lakh. However, to start a commercial bank today, the Reserve Bank has prescribed a minimum capital of Rs. 100 Crores and its business must be managed in a manner which, in the opinion of Reserve Bank, is not detrimental to the interests of its depositors. The scheduled banks are required to maintain with the Reserve Bank a deposit in the form of cash Reserve Ratio, based on its demand and time liabilities, at a prescribed rate.

1.6.2 Non-Scheduled Banks

The commercial banks which are not included in the second schedule of the Reserve Bank of India Act, 1934 are called as Non-Scheduled Banks. They are not entitled to facilities like refinance, and rediscounting of bills from the Reserve bank. They do not get the privileges that are available to scheduled banks. They are mainly engaged in money lending, discounting and collecting bills and various other agency services. Therefore, they insist higher security for loans.
1.7 MODERN TYPES OF BANKING

1.7.1 Automated Teller Machine (ATM)

An automatic teller machine or ATM allows a bank customer to conduct their banking transactions from almost every other ATM machine in the world. On most modern ATMs, the customer is identified by inserting a plastic ATM card. With a magnetic stripe or a plastic smart card with a chip, that contains a unique card number and some security information such as an expiration date or CVVC (CVV). Authentication is provided by the customer entering a personal identification number (PIN). Using an ATM, customers can access their bank account as in order to make cash withdrawals, credit card cash advances, and check their account balances as well as purchase prepaid cell phone credit.

ATMs are electronic machines, which are operated by a customer himself to deposit or to withdraw cash from bank. For using an ATM, a customer has to obtain an ATM card from his bank. The ATM card is a plastic card, which is magnetically coded. It can be easily read by the machine. To operate an ATM card, the customer has to insert the card in the machine. He has to enter the password (number). If the authentication or password (number) is correct, the ATM permits a customer to make entries for withdrawal or for deposit. On completion of the transaction, the customer’s card is ejected from the ATM (see figure III to know the functioning of ATM).

Advantages:

i) ATM provides 24 hours service: ATMs provide service round the clock. The customer can withdraw cash up to a certain a limit during any time of the day or night.
ii) ATM gives convenience to bank’s customers: ATMs provide convenience to the customers. Now-a-days, ATMs are located at convenient places, such as at the Airports, Railway Stations, etc. and not necessarily at the Bank’s premises. It is to be noted that the ATMs are installed off-site (away from bank premises) as well as on site (installed within bank’s premises). ATMs provide mobility in banking services for withdrawal.

iii) ATM reduces the workload of bank’s staff: ATM reduces the work pressure on bank’s staff and avoids queues in bank premises.

iv) ATM provide service without any error: ATMs provide service without error. The customer can obtain exact amount. There is no human error as far as ATMs are concerned.

v) ATM is very beneficial for travelers: ATMs are of great help to travelers. They need not carry large amount of cash with them. They can withdraw cash from any city or state, across the country and even from outside the country with the help of ATM.

vi) ATM may give customers new currency notes: The customer also gets brand new currency notes from ATMs. In other words, customers do not get soiled notes from ATMs.

vii) ATM provides privacy in banking transactions: Most of all, ATMs provide privacy in banking transactions of the customer.

Disadvantages:

i) Unlike bank tellers, ATMs do not require the person performing the transaction to present picture identification. Rather, the person must only
insert a bank card and enter a personal identification number. If the bank card is stolen and the number ascertained, an unauthorized person can easily access the account.

ii) ATMs can only perform relatively basic transactions. This means that people who need to complete these longer transactions will be forced to use the teller, restricting use of the ATM for people who need to complete simple business. In this sense, the ATM is rather like the express line in a supermarket – faster for some, but unavailable to others.

iii) With the advent of ATMs came ATM fees. Not only do banks of which you are not a member charge fees for the use of their ATMs, but users are often charged surreptitious fees by their own banks for using other banks’ ATMs meaning the customer is docked twice for the same transaction.

iv) Unlike banks, in which security guards and tellers are present to ensure the person performing a transaction receives privacy, there is not such guarantee when using an ATM. People may try to spy on users as delicate information appears on the screen, without the user being aware.

v) The performance of business at an ATM is generally quicker than that at a human teller. However, the ATM is incapable of providing personalized instruction to the user in a way that a human teller can. This can result in longer wait times if the user currently using the machine is struggling to complete a transaction.
Figure III: ATM

Source: Google images
1.7.2 TELEBANKING

Telephone banking is a service provided by a financial institution, which allows its customers to perform transactions over the telephone.

Most telephone banking services use an automated phone answering system with phone keypad response or voice recognition capability. To guarantee security, the customer must first authenticate through a numeric or verbal password or through security questions asked by a live representative (see below). With the obvious exception of cash withdrawals and deposits, it offers virtually all the features of an automated teller machine: account balance information and list of latest transactions, electronic bill payments, funds transfers between a customer’s accounts etc.

Usually, customers can also speak to a live representative located in a call centre or a branch, although this feature is not always guaranteed to be offered 24/7. In addition to the self-service transactions listed earlier, telephone banking representatives are usually trained to do what was traditionally available only at the branch: loan applications, investment purchases and redemptions, cheque book orders, debit card replacements, change of address, etc.

Banks which operate mostly or exclusively by telephone are known as phone banks. They also help modernize the user by using special technology. The big advantages of telephone banking are – as we have already mentioned – the ability to speak to another human being and discuss with them any issue that may not be mentioned or catered for on the website. In addition to that speaking to a call center staff member allows for the provision of information such as any payments that are waiting to go into your account or go out. This information is not provided on their websites.
Following is the process of telebanking service offered by banks:

The most common one would have to be the fact that not all banks and building societies offer 24 hour telephone banking. They may if it is simply a case of checking your balance or recent transactions but for anything more involved in that it can cause a problem. Also telephone banking is not active usually over bank holidays such as Christmas Day or New Years Day whereas Internet banking is available all year round. Telephone banking is safe and for the most part it is as safe as it can be. Calls are normally recorded – and you will be made aware of this when you call.
1.7.3 INTERNET BANKING

Internet banking does offer many benefits for both banks and their customers. So the banks are doing what they can to encourage customers to try it. Online banking (or Internet Banking) allows customers to conduct financial transactions on a secure website operated by their retail or virtual bank, credit union or building society. It is a media that is very helpful for financial transactions. Starting from the transfer money, pay various bills (electricity, telephone) up to just us are checking our bank balance in the bank. E-banking refers to electronic banking. It is like e-business in banking industry. E-banking is also called as ‘Virtual Banking’ or ‘Online Banking’. E-banking is a result of the growing expectations of bank’s customers. E-banking involves information technology based banking. Under this I.T. system, the banking services are delivered by way of a Computer-Controlled System. This system does involve direct interface with the customers. The customers do not have to visit the bank’s premises. The popular services covered under E-banking include:

- Automated Teller Machines
- Credit Cards
- Debit Cards
- Smart Cards
- Electronic Funds Transfer (EFT) System
- Cheque Truncation Payment System
Advantages:

i) An internet banking account is simple to open and use: You just enter a few answers to questions in a form while sitting comfortably in your own home or office. To access your account, you establish security measures such as usernames and passwords. To complete the setup of your account, you just print, sign and send in a form.

ii) Internet banking costs less: Because there are fewer buildings to maintain, and less involvement by salaried employees, there is a much lower overhead with online banks. These savings allow them to offer higher interest rates on
savings accounts and lower lending rates and service charges. Even traditional brick and mortar banks offer better deals such as free bill paying services to encourage their customers to do their banking online.

iii) Comparing internet banks to get the best deal is easy: In a short time, you can visit several online banks to compare what they offer re savings and checking account deals as well as their interest rates. Other things you can easily research are what credit cards are available, credit card interest rates, loan terms and the banks own rating with the FDIC.

iv) Bouncing a check (accidentally) should be a thing of the past because you can monitor your account online any time, day or night. You can track your balance daily, see what checks have cleared and when and know when automatic deposits and payments are made. This is all possible by simply going online to the banks website and logging into your account.

v) You can keep your account balanced using your computer and your monthly statement: Your bank account information can be downloaded into software programs such as Microsoft Money or Quicken, making it easy to reconcile your account with just a few mouse clicks. The convenience of the date capture online makes it much easier to budget and track where your money goes. Your internet bank account even allows you to view copies of the checks you have written each month.

vi) With the ability to view your account at anytime, it is easier to catch fraudulent activity in your account before much damage is done. As soon as you log into your account, you will quickly see whether there is anything amiss when you check on your deposits and debits. If anyone writes a check
or withdraws funds from your account and you know it wasn’t you, you will see it right away. This lets you get started on correcting the problem immediately rather than having to wait a month to even have a clue it is happening as would be the case with a traditional bank.

vii) Internet banking offers a great deal more convenience than you could get from a conventional bank: You aren’t bound by ‘banker’s hours’ and you don’t have to go there physically in your car. Time is not wasted when you have work to do because you can do your office’s banking without leaving the office. No matter where you are or what time it is, you can easily manage your money. There are sound reasons why internet banking is growing. The economic advantages have encouraged banks to provide an increasing range of easy to use services via the internet.

Customers have found doing business online simple and speedy and have become very comfortable with the arrangement. Internet banking gives people more control over their money in a very convenient way that they find enjoyable and reassuring.

1.7.4 MOBILE BANKING

Mobile banking (also known as M-Banking, m banking, sms banking) is a term used for performing balance checks, account transactions, payments, credit applications and other banking transactions through a mobile device such as a mobile phone or Personal Digital Assistant (PDA). The earliest mobile banking services were offered over SMS. With the introduction of the first primitive smart phones with WAP support enabling the use of the mobile web in 1999, the first European banks started
to offer mobile banking on this platform to their customers (see figure VI to know about Mobile Banking)

Figure VI

Mobile banking has until recently (2010) most often been performed via SMS or the Mobile Web. Apple’s initial success with I Phone and the rapid growth of phones based on Google’s Android (operating System) have led to increasing use of special client programs, called apps, downloaded to the mobile device. Mobile Banking refers to provision of banking and financial services with the help of mobile telecommunication devices. The scope of offered services may include facilities to conduct bank and stock transactions, to administer accounts and to access customized information.

According to this model Mobile Banking can be said to consist of three interrelated concepts:

- Mobile Accounting
Mobile Brokerage

Mobile Financial Information Services

Most services in the categories designated Accounting and Brokerage are transaction based. The non-transaction-based services of an informational nature are however essential for conducting transactions – for instance, balance inquiries might be needed before committing a money remittance. The accounting and brokerage services are therefore offered invariably in combination with information services. Information services, on the other hand, may be offered as an independent module.

Mobile phone banking may also be used to help in business situations. Mobile banking can offer services such as the following:

**Account Information**

1. Mine-statements and checking of account history
2. Alerts on account activity of passing of set thresholds
3. Monitoring of term deposits
4. Access to loan statement
5. Access to card statements
6. Mutual funds/equity statements
7. Insurance policy management
8. Pension plan management
9. Status on cheque, stop payment on cheque
10. Ordering cheque books
11. Balance checking in the account

12. Recent transactions

13. Due date of payment (functionality for stop, change and deleting of payments)

14. PIN provision, Change of PIN and reminder over the Internet

15. Blocking of (lost, stolen) cards

**Payments, Deposits, Withdrawals, and Transfers**

1. Domestic and international and fund transfers

2. Micro-payment handling

3. Mobile recharging

4. Commercial payment processing

5. Bill payment processing

6. Peer to peer payments

7. Withdrawal at banking agent

8. Deposit at banking agent

A specific sequence of SMS messages will be enable the system to verify if the client has sufficient funds in his or her wallet and authorize a deposit or withdrawal transaction at the agent. When depositing money, the merchant receives cash and the system credits the client’s bank account or mobile wallet. In the same way the client can also withdraw money at the merchant: through exchanging SMS to provide authorization, the merchant hands the client cash and debits the merchant’s account.
1.7.5 CHEQUE DEPOSIT MACHINE

Cheque deposit machines provide you with an alternative way of depositing cheques into an account without having to use an ATM card/PIN or passbook. At the end of the transaction, you can even opt for a transaction receipt with cheque details. All you have to do is to follow the messages on-screen and place your cheques into the slot.

**Figure VII**

![Cheque deposit machine](Source: Google images)

- **Step 1:** Press any key on the slide of the screen to begin
- **Step 2:** Enter account number to credit cheque amount and press ‘Yes’ to confirm
- **Step 3:** Enter amount and press ‘Yes’ to confirm
- **Step 4:** Insert one cheque into the slot. Please ensure that the cheque is placed face-up with bank logo on your left.
Step 5: Select ‘Yes’ if you wish to deposit another cheque into the same account and repeat from Step 3 (maximum 6 cheques per transaction)

Select No to end transaction (or deposit more cheques into a different account)

Step 6: Select receipt option and to end the transaction.

The machine accepts cheques in currency into your savings or current account. One can help also deposit a cheque for friend or relative, too.

1.7.6 CORE BANKING SOLUTIONS

Core banking is normally defined as the business conducted by a banking institution with its retail and small business customers. Many banks treat the retail customers as their core banking customers, and have a separate line of business to manage small businesses. Larger businesses are managed via the corporate banking division of the institution. Core banking basically is depositing and lending of money. Core banking is normally defined as the business conducted by a banking institution with its retail and small business customers. Many banks treat the retail customers as their core banking customers, and have a separate line of business to manage small businesses. Larger businesses are managed via the Corporate Banking division of the institution. Core banking basically is depositing and lending of money.

Normal core banking functions will include deposit accounts, loans, mortgages and payments. Bank’s make these services available across multiple channels like ATMs, Internet banking, and branches.

Nowadays, most banks use core banking applications to support their operations where CORE stands for “centralized online real-time exchange”. This basically means that all the bank’s branches applications from centralized datacenters. This means that the deposits made are reflected immediately on the bank’s servers and the
customer can withdraw the deposited money from, any of the bank’s branches throughout the world. These applications now also have capacity to address the needs of corporate customers, providing a comprehensive banking solution.

A few decades ago it used to take at least a day for a transaction to reflect in the amount because each branch had their local servers, and the data from the server in each branch was sent in a batch to the servers in the datacenter only at the end of the day (EoD). Normal core banking functions will include deposit accounts, loans, mortgages and payments. Banks make these services available across multiple channels like ATMs, Internet banking, and branches.

1.7.7 PLASTIC MONEY OR CREDIT CARD

Plastic money was a delicious gift to Indian market. Now several new features added to plastic money to make it more attractive. It works on formula purchase now repay later. Credit card is a financial instrument, which can be used more than once to borrow money or buy products and services on credit. Banks, retail stores and other businesses generally issue these. On the basis of their credit limit they are of different kinds like classic, gold or silver.
Over the years, the banking sector in India has seen a number of changes. Most of the banks have begun to take an innovative approach towards banking with the objective of creating more value for customers and consequently, the banks. Some of the significant changes in the banking sector are discussed below.

**TYPES OF CREDIT CARDS OFFERED BY BANKS**

1. **Credit Card**

   It is normal card whereby a holder is able to purchase without having to pay cash immediately. This credit card is built around revolving credit principle, generally, a limit is set to the amount of money a cardholder can spend a month using the card. At the end of every month, the holder has to pay a percentage of outstanding. Interest is charged for the outstanding amount which varies from 30 to 36 per cent per annum. An average consumer prefers this type of card for his personal purchase, as he is able to defer payment over several months.
2. Charge Card

A charge card is intended to serve as a convenient means of payment for goods purchased at Member Establishments rather than a credit facility. Instead of paying cash or cheque every time the credit card holder makes a purchase. This facility gives a consolidated bill for a specified period, usually one month. Bills are payable in full on presentation. There are no interest charges and no preset spending limits either. The charge card is useful during business trips and for entertainment expenses which are usually borne by the company. Andhra Bank Card, BOB Cards, Can Card, Diner’s card etc. belong to this category.

3. in-Store Card

Retailers or companies issue the in-store cards. These cards currency only at the issuer’s outlets for purchasing products of the issuer company. Payments can be on monthly or extended credit basis, for extended credit facility interest is charged. In India, Five Star Hotels, resorts and big hotels normally issue such cards.

4. Corporate Credit Cards

Corporate cards are issued to private and public limited companies and public sector units. Depending upon the requirements of each company, operative Add-on cards will be issued to persons authorized by the company, i.e. Directors, and secretary of the company. The name of the company will be embossed on Add-on cards along with the name of the Add-on cardholder. The main card is only a dummy card number in the name of the company for the purpose of billing all the charges of Add-on cards. The transactions made
by Add-on cardholders are billed to the main card and debits are made to the company's account.

5. Business Cards

A business card is similar to a corporate card. It is meant for the use of proprietary concerns, firms, and firms of Chartered Accountants etc. This card helps to avail of certain facilities for reimbursement and makes their business trips convenient. An overall ceiling fixed for this card is also based on the statues of the firm.

6. Smart Cards

It is a new generation card. Embedded in the smart card a microchip will store a monetary value. When a transaction is made using the card, the value is debited and the balance comes down automatically. Once the monetary value comes down to nil, the balance is to be restored all over again for the card to become operational. The primary feature of smart card is security. The card also recognizes different voices and compares with the recorded original voice. It is used for making purchases without necessarily requiring the authorization of Personal Identification Number as in a debit card. Smart card is an electronic purse which attempts to prove to be a panacea for all problems associated with traditional currency. In India, the Dena Bank launched the Smart Card in Mumbai.

7. Debit Cards

Credit cards have proliferated during the last couple of years in all countries and have become an acceptable alternative to paper currency. The developed country like USA has moved a step further. Debit card, an
An electronic product has become more and more popular in these countries. The debit card programme requires the customer to open an account with the bank which is not generally required in case of a credit card. This system requires a terminal known as the point of sale. The customer, on making the purchase, inserts the card which has a magnetic strip at the back, into the slot of the machine, while the merchant enters the value of the transaction. The customer meanwhile, keys in the Personal Identification Number which is known only to the cardholder and the bank.

8. ATM Card

An ATM (Automated Teller Machine) card is useful to a cardholder as it helps him to withdraw cash from banks even when they are closed. Inserting the card in the ATM installed at various bank locations can do this. Financial experts suggest that any credit card user can take a few basic steps to stay safe when using credit cards:

i) **Consider before setting credit limits**: if you are the victim of a fraud and you have a very high limit, you may get a very daunting bill. Even if you can prove that you have been the victim of fraud, the process takes some time and you do not want to have a balance of several thousand dollars for several months until the mess is cleared up.

ii) **Use secure credit cards**: Credit card companies take fraud and other risks very seriously – these crimes affect the companies’ profits. Call your card company today and ask about their safety features. Not only will it put your mind at ease, but you will learn about the specific services you can add to your card to make your card more secure.
iii) **Signing credit cards:** you should always sign your cards as soon as you get them and activate your cards promptly and correctly. This will help ensure that you are the person who can use your cards.

iv) **Online usage:** when using credit cards online, always share your credit card information with reputable companies only. Never use your credit card information on a website that does not use encryption technology. If you have any doubts about an online retailer, contact them using their contact information and arrange for an alternate form of payment. If the retailer does not have current contact information, that is a give-away that it is a company you probably don’t want to do business with.

v) **Always get a receipt when making a purchase with your card:** Once a month, compare your receipts with your bill so that no mistakes sneak into your card.

vi) **Change of Address:** When you move, notify your card companies in advance so that you are the only person to receive your credit card billing information.

vii) **Be careful with your card information and numbers:** Do not share your account number or other credit card information with just anyone and do not leave the information where others can see it.

viii) **Deal with stolen credit cards promptly:** if your card is stolen or lost, call the credit card company immediately and make sure that no one can make additional charges to your credit card.
ix) **In a very secure place, keep a list of your credit card numbers and credit card company phone numbers:** If your card is stolen, you can use this information to stop the card from being used.

x) **Practice safe online account management:** Most banks today allow you to use internet banking, which allows you to check your accounts frequently. Use online banking to make sure that your account is not being charged unduly.

### 1.7.8 REAL TIME GROSS SETTLEMENT

Real time gross settlement systems (RTGS) are funds transfers systems where transfer of money or securities takes place from one bank to another on a “real time” and on “gross” basis. Settlement in “real time” means payment transaction is not subjected to any waiting period. The transactions are settled as soon as they are processed. “Gross Settlement” means the transaction is settled on one to one basis without bunching or netting with any other transaction. Once processed, payments are final and irrevocable.

The RTGS system is primarily meant for large value transactions. The minimum amount to be remitted through RTGS is 2 Lakh. There is no upper ceiling for RTGS transactions. Under normal circumstances the beneficiary branches are expected to receive the funds in real time as soon as funds are transferred by the remitting bank. The beneficiary bank has to credit the beneficiary’s account within two hours of receiving the funds transfer message. The remitting bank receives a message from the Reserve Bank of India that money has been credited to the receiving bank. Based on this the remitting bank can advise the remitting customer that money has been delivered to the receiving bank. It is expected that the receiving bank will credit the account of the beneficiary instantly. If the money cannot be
credited for any reason, the receiving bank would have to return the money to the remitting bank within 2 hours. Once the money is received back by the remitting bank, the original debit entry in the customer’s account is reversed.

The RTGS service window for customer’s transactions is available from 9.00 hours to 16.30 hours on week days and from 9.00 hours to 13.30 hours on Saturdays for settlement at the RBI end. However, the timings that the banks follow may vary depending on the customer timings of the bank branches. With a view to rationalize the service charges levied by banks for offering various electronic products, a broad framework has been mandated as under:

a) Inward transactions – Free, no charge to be levied

b) Outward transactions –

   i) 2 Lakh to 5 Lakh – not exceeding 25 per transactions

   ii) Above 5 Lakh – not exceeding 50 per transaction.

The remitting customer has to furnish the following information to a bank for affecting a RTGS remittance:

i) Amount to be remitted

ii) Remitting customer’s account number which is to be debited.

iii) Name of the beneficiary bank

iv) Name of the beneficiary customer

v) Account number of the beneficiary customer

vi) Sender to receiver information, if any

vii) The IFSC number of the receiving branch.

1.7.9 ELECTRONIC CLEARANCE SERVICE

ECS is an electronic mode of payment/receipt for transactions that are repetitive and periodic in nature. ECS is used by institutions for making bulk
payment of amounts towards distribution of dividend, interest, salary, pension, etc., or for bulk collection of amount towards telephone/electricity/water dues, cess/tax collections, loan installment repayments, periodic investments in mutual funds, etc.

Essentially, ECS facilitates bulk transfer of monies from one bank account to many bank accounts or vice versa using the services of a ECS Centre at a ECS location.

ECS is divided as:

1. **Credit ECS**

   ECS Credit is used for affording credit to a large number of beneficiaries having accounts with bank branches at various locations within the jurisdiction of a ECS Centre by raising a single debit to an account of a bank (that maintains the account of the user institution). ECS Credit enables payment of amounts towards distribution of dividend, interest, salary, pension, etc., of the user institution.

**Advantages of the ECS Credit Scheme to the Beneficiary**

ECS Credit offers many advantages to the beneficiary:

- The beneficiary need not visit his/her bank for depositing the paper instruments which he would have otherwise received has he not opted for ECS Credit.

- The beneficiary need not be apprehensive of loss/theft of physical instruments or the likelihood of fraudulent encashment thereof.

- Cost effective

- The beneficiary received the funds right on the due date.
ECS Credit Scheme benefits User Institutions

User institutions enjoy many advantages as well. For instance,

- Savings on administrative machinery and costs of printing, dispatch and reconciliation of paper instruments that would have been used had beneficiaries not opted for ECS Credit.

- Avoid chances of loss/theft of instruments in transit, likelihood of fraudulent encashment of paper instruments, etc, and subsequent correspondence/litigation.

- Efficient payment mode ensuring that the beneficiaries get credited on a designated date.

- Cost effective.

Advantages of the ECS Credit Scheme to the Banking System

The banking system too benefits from ECS Credit such as-

- Freedom from paper handling and the resultant advantages of handling, presenting and monitoring paper instruments presented in clearing, had beneficiaries (having accounts with the destination bank branches) not opted for ECS Credit.

- Ease of processing and return for the destination bank branches.

- Smooth process of reconciliation for the sponsor banks.

- Cost effective.

The Reserve Bank of India has deregulated the charges to be levied by sponsor banks from user institutions. The sponsor banks are, however, required to disclose the
charges in a transparent manner. No processing charges are levied by the ECS Centers; the same has been waived till March 31, 2011. Destination bank branches have been directed to afford ECS Credit free of charge to the beneficiary account holders.

2. **Debit ECS**

ECS Debit is used for raising debits to a large number of accounts maintained with bank branches at various locations within the jurisdiction of a ECS Centre for single credit to an account of a bank (that maintains the account of the user institutions). ECS Debit is useful for payment of telephone/electricity/water bills, cess/tax collections, loan installment repayments, periodic investments in mutual funds, etc., that are periodic or repetitive in nature and payable to the user institution.

ECS Debit transaction can be initiated by any institution (called ECS Debit User) which has to receive/collect amounts towards telephone/electricity/water dues, cess/tax collections, loan installment repayments, periodic investments in mutual funds, etc. it is a Scheme under which an account holder with a bank branch can authorize an ECS User to recover an amount at a prescribed frequency by raising a debit to his/her bank account.

**Advantages of ECS Debit Scheme to the Customers**

- ECS Debit mandates will take care of automatic debit to customer accounts on the due dates without customers having to visit bank branches.

- Customers need not keep track of due date for payments

- The debits to customer accounts would be monitored by the ECS Users.

- Cost effective.
ECS Debit Scheme benefit user institutions

- Savings on administrative machinery and cost of collecting the cheques from customers, presenting in clearing, monitoring their realization and reconciliation.

- Better cash management because of realization/recovery of dues on due dates promptly and efficiently.

- Avoids chances of loss/theft of instruments in transit, likelihood of fraudulent access to the paper instruments and encashment thereof.

- Realization of payments on a uniform date instead of fragmented receipts spread over many days.

- Cost effective.

Advantages of ECS Debit Scheme to the Banking System

- Freedom from paper handling and the resultant disadvantages/delays of handling, receiving and monitoring paper instruments presented in clearing, had customers (having accounts with the destination bank branches) not opted for ECS Debit.

- Ease of processing and return for the destination bank branches. Destination bank branches simply need to verify the mandate particulars relating to their customers. All they have to do is match the account number and debit the customer accounts. Wherever the details do not match, the instructions are just to be returned, as per the procedure.

- Smooth process of reconciliation for the sponsor banks.
• Cost effective.

Any mandate in ECS Debit is on par with a cheque issued by a customer. The customer has to maintain adequate funds in his/her account with the destination bank branch to ensure the ECS Debit instructions are honored when presented. In case of any need to withdraw or stop a mandate, the customer has to give prior notice to the ECS user institution well in time, so as to ensure that the inputs files submitted by the user do not continue to include the ECS Debit details in respect of the mandates withdrawn or stopped by customers. The process flow to be followed for withdrawing/stopping mandates is detailed in ECS Debit Procedural Guidelines.

In October 2008, a centralized version on ECS Credit known as National-ECS (NECS) has been launched. NECS has no restriction of centers or of any geographical area inside the country. The system takes advantage of the centralized accounting system in banks. Accordingly, the account of a bank that is submitting or receiving payment instructions is debited or credited centrally at Mumbai. The branches participating in NECS should be core-banking-enabled through they can be located anywhere across the length and breadth of the country.

Another variant of the ECS system has been introduced at a few Regional Offices of Reserve Bank of India, viz. Regional - ECS (RECS). RECS also have two variants viz. Debit and Credit. RECS will cover all core-banking-enabled branches in a State or group of States and can be used by institutions desirous of reaching beneficiaries within the State/group of states. The system takes advantage of the centralized accounting system in banks. Accordingly, the account of a bank that is submitting or receiving payment instructions is debited or credited centrally. The branches participating in RECS can, however, be located across the length and breadth of the State/group of States.
ECS can be used to transfer funds to NRE and NRO accounts in the country. This, however, is subject to the adherence to the provisions of the Foreign Exchange Management Act, 2000 (FEMA) and Wire Transfer Guidelines. It is the responsibility of the user institution to communicate to the beneficiary the details of credit that is being afforded to his/her account, indicating the proposed date of credit, amount and relative particulars of the payment. Destination banks have been advised to ensure that the pass books/statements given to the beneficiary account holders reflect particulars of the transaction/credit provided by the ECS user institutions. The beneficiaries can match the entries with the advice earlier received by them from the User Institutions. Many banks also give mobile alerts/messages to customers after credit of funds to such accounts.

1.7.10 ELECTRONIC FUND TRANSFER

RBI EFT is a scheme introduced by Reserve Bank of India (RBI) to help banks offering their customers money transfer service from account to account of any bank branch to any other bank branch in places where EFT services are offered. The EFT system presently covers all the branches of the 27 public sector banks and 55 scheduled commercial banks at the 15 centers (viz., Ahmadabad, Bangalore, Bhubaneswar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram). Funds transfer is possible from any branch of these banks at these centers to other branch of any bank at these centers both inter-city and intra-city. The remitting bank transmits the funds transfer message to RBI so as to reach NCC, before the cut off time for the settlement, the receiving bank’s account is credited by RBI at the destination centre and beneficiary gets credit on the same day.
1.7.11 Working of RBI-EFT System

Step-1: The remitter fills in the EFT application form giving the particulars of the beneficiary (city, bank, branch, beneficiary’s name, account type and account number) and authorizes the branch to remit a specified amount to the beneficiary by raising a debit to the remitter’s account.

Step-2: The remitting branch prepares a schedule and sends the duplicate of the EFT application form to its Service branch for EFT data preparation. If the branch is equipped with a computer system, data presentation can be done at the branch level in the specified format.

Step-3: The service branch prepares the EFT data file by using a software package supplied by RBI and transmits the same to the local RBI (National Clearing Cell) to be included for settlement.

Step-4: The RBI at the remitting centre consolidates the files received from all banks, sorts the transactions city-wise and prepares vouchers for debiting the remitting banks on Day-1 itself. City-wise files are transmitted to the RBI offices at the respective destination centers.

Step-5: RBI at the destination centre receives the files from the originating centers, consolidates them and sorts them bank-wise. Thereafter, bank-wise remittance data files are transmitted to banks on Day-1 itself. Bank-wise vouchers are prepared for crediting the receiving banks’ accounts the same day or next day.

Step-6: On Day ½ morning the receiving banks at the destination centers process the remittance files transmitted by RBI and forward credit reports to the destination branches for crediting the beneficiaries’ accounts.
The primary modes of funds transfer at present are demand draft, mail transfer and telegraphic transfer. The demand draft facility is paper based. The remitter, after purchasing demand draft from a bank branch, dispatches the same by post/courier to the beneficiary. The beneficiary, in turn, lodges the draft to his/her bank for collection and clearing. The time taken for completing the process is about 10 days. In the case of telegraphic transfer, fund reaches the beneficiary either on the same day or the next; but both the remitter and the beneficiary would have to be account holders of the same bank. If they are customers of different banks, a good deal of paper processing is required. On the other hand, RBI EFT system is an inter-bank oriented system.

1.8 REVIEW OF LITERATURE

Daning Hu, Zhao. J. Leon,(Dec 2012), Network-based Modeling and analysis of Systematic Risk in Banking System, views that in the wake of the 2008 financial tsunami, existing methods and tools for managing financial risk have been criticized for weaknesses in monitoring and alleviating risks at the systemic level. A 2009 article in Nature suggested new approaches to modeling economic meltdowns are needed to prevent future financial crises. However, existing studies have not focused on analysis of systemic risk at the individual bank level in a banking network, which is essential for monitoring and mitigating contagious bank failures. To this end, we develop a network approach to risk management (NARM) for modeling and analyzing systemic risk in banking systems. NARM views banks as a network linked through financial relationships. It incorporates network and financial principles into a business intelligence (BI) algorithm to analyze systemic risk attributed to each individual bank via simulations based on real-world data from the Federal Deposit
Insurance Corporation. Our research demonstrates the feasibility of modeling and analyzing systemic risk at the individual bank level in a banking network using a BI-based approach. In terms of business impact, NARM offers a new means for predicting contagious bank failures and determining capital injection priorities in the wake of financial crises. Our simulation study shows that under significant market shocks, the interbank payment relationship becomes more influential than the correlated bank portfolio relationship in determining an individual bank's survival. These insights should help financial regulators devise more effective policies and mechanisms to prevent the collapse of a banking system.

Dash, Mihir Charles, Christabel,(Nov 2012), An Analysis of Technical Efficiency of Banks in India, investigates the technical efficiency of Indian banks, segmented in terms of ownership. For this purpose, the Data Envelopment Analysis (DEA) model was used with five input variables (borrowings, deposits, fixed assets, net worth, and operating expenses) and four output variables (advances and loans, investments, net interest income, and non-interest income), and the efficiency scores were calculated for a sample of 49 major banks operating in India. The findings of the study help in identifying the inputs and outputs that each of the banks would need to control and streamline to enhance their efficiency.

Sharma, Eliza,(Oct 2012), A Comparative Analysis of Employee Satisfaction in Indian Commercial Banks, state that Employees are the service providers in the banks. The performance of a bank depends not on the various services/products it launches, but on the employees who provide those services to the customers. The employees' efficiency depends on their satisfaction level. More satisfied employees lead to better service quality and try to establish long-term relationships between bank
and customers. Keeping in view the importance of employee satisfaction for an intellectually-intensive industry like banks, the current study is an attempt to find out the various factors that lead to the satisfaction of employees in the banking sector. Primary data was used in the study and the sample size of the study was 3,000 employees of private, public and foreign banks from different regions of India.

Banerjee, Neelotpaul, (Sep 2012), A Comparative study of Customers Perceptions of Service Quality Dimensions between public and private sector banks in India, use the SERVQUAL model to identify the gap between customer expectations and perceptions of the actual service received in public and private banks in India. Outcomes of the study outlined that customers’ expectations are more with the private banks and the level of satisfaction is also higher while they deal with the private banks. In order to satisfy the customers the public banks should focus on improving the service in terms of tangibility, reliability, responsiveness and empathy.

Xuezhi Qin, Dickson Pastory, (July 2012), Commercial Banks Profitability Position: The case of Tanzania, examine commercial banks profitability in Tanzania for the period of ten years (2000-2009). The study used National Microfinance Bank (NMB), National Bank of Commerce (NBC) and CRDB as the case study. The study employed the profitability measures of commercial banks, and the evidence of performance in terms of profitability was established based on return on average asset, net interest income to average bearing assets and non-interest expenses to average assets. The paper utilized panel secondary data from National bank of commerce, CRDB and National Microfinance bank in Tanzania for the period of ten years, and the hypothesis was tested to know whether there is a significant difference in terms of profitability by using ANOVA test. Finally the regression model was run to see the effects of capital adequacy, liquidity and asset quality on the profitability of
commercial banks. The findings revealed that there is no significant difference on profitability among the commercial banks, in the context of regression model it has been noted that liquidity and asset quality has positive impact in profitability with exception to the level of nonperforming loans which has a negative influence on profitability. Also capital adequacy has shown negative impact on profitability. The study confirmed the profitability of commercial banks to stable and meeting the regulatory requirement of the Bank of Tanzania (BOT).

**Maitah, Mansoor, Zedan, khaled, Shibani, Bashir,(May 2012),** Factors Affecting the Usage level of Financial Analysis by Credit Officers in the Credit Decision in Libyan Commercial Banks, aim to give an idea about the usage level of financial analysis in Libyan state-owned commercial banks, and the factors affecting the process in the credit decision, since these banks owns almost 90% of Libyan banking sector assets. To collect the data a questionnaire were distributed to credit officers and analysts in all state-owned commercial banks operate in Tripoli. The data was analyzed using SPSS program. The analysis results show that there is a weak usage level of financial analysis in the decision making process of evaluating the eligibility of the credit applicants for accredits facility. These results caused for two major reasons, first poor qualification and professional credit officers and analysts, second the low confidence level of the financial information presented by credit applicants. The major recommendation is increase more attention to reform the whole process in this field.

**Uprit Vivek, (April 2012),** Satisfaction and Effectiveness of Virtual Organization in excess of Real Organization: The invention of Internet & web technology has given birth to so many new concepts in Business one of such example is emergence of virtual banking. Virtual banking is one of the latest emerging trends on the Indian
banking Scenario. Usage of virtual banking, though present in India was rest restricted to foreign banks. Today most of public sectors banks branches in metros and cities, have computerized front office operations (customer transaction) and their back office operation and information management system are also increasingly getting computerized and integrated. However, it may be noted that the traditional 'brick and mortar' banking with manual system does continue to prevail in most banks' rural branches in urban areas too, most of the urban co-operative banks continue to use the manual system of banking. The article studies comparatively study of real banking & virtual banking in India and its role in fostering relationships with customers and giving them more value. The proposed study includes the evolution need and relevant, forces driving, merits and demerits of real banking and virtual banking. This work will include the comparative study of virtual banking and real (Traditional Banking) banking. Results have shown that virtual corporation (banking) can produce financial rewards for the organization.

Almazari, Ahmed Arif,(Apr 2012), Financial Performance of Jordanian Arab Bank by using the Du Pont system of Financial Analysis, attempts basically to measure the financial performance of the Jordanian Arab commercial bank for the period 2000-2009 by using the DuPont system of financial analysis which is based on analysis of return on equity model. The return on equity model disaggregates performance into three components: net profit margin, total asset turnover, and the equity multiplier. Arab bank is one of the largest financial institutions in the Middle East and is ranked amongst the largest international facial institutions. The bank witnessed a continuation of challenges brought on by the global financial crisis. It was found that the financial performance of Arab Bank is relatively steady and reflects minimal volatility in the return on equity. Net profit margin and total asset turnover exhibit
relative stability for the period from 2001 to 2009. The equity multiplier also show almost stable indicators for the period from 2001-2005 and the ratios declined from 2006-2009 which indicates that the Arab bank had less facial leverage in the recent years, which means the bank is relying less on debt to finance its assets.

Zenith, (March 2012), Relative Performance Of Commercial Banks In India Using Camel Approach states that it is due to the nature of banking and the important role of banks in the economy in capital formation, banks should be more closely watched than any other type of economic unit in the economy. The CAMEL supervisory system in banking sector is a substantial improvement over the earlier systems in terms of frequency, coverage and focus. In the present study an attempt is made to evaluate relative performance of banks in India using CAMEL approach. It is found that public sector banks have significantly improved indicating positive impact of the reforms in liberalizing interest rates, rationalizing directed credit and Investments and increasing competition.

Amitava Mandal, Santanu Kumar Ghosh, (2012), Intellectual Capital and Financial Performance of Indian Banks, made an attempt to investigate empirically the relationship between intellectual capital and financial performance of 65 Indian banks for a period of ten years from 1999 to 2008. The analysis indicates that the relationships between the performance of a bank's intellectual capital, and financial performance indicators, namely profitability and productivity, are varied. The study results suggest that banks’ intellectual capital is vital for their competitive advantage.

George, Sajeev Abraham, Chattopadhyay, (2012), an Investigative Study of Operational Performance and Service Quality of Indian Public Sector Banks, presents information on an investigative study of the service quality and operational performance of the public sector banks in India. It informs that the form the onset of
the economic liberalization in 1990 the public sector banks in the country are facing a stiff competition from the private sector banks and the other foreign banks. It further informs that the in spite of the fact of this competition the majority of the shares in this sector belong to public sector banks.

Nzuve, Stephen N,(2012), Study of the Practice of the Learning Organization and its relationship to Performance among Kenyan Commercial Banks, investigate the extent of the practice of the learning organization within the Kenyan commercial banks and determine the relationship between the aforementioned practices with organizational performance. The study adopted a descriptive survey design. It was a census survey comprising all the 43 banks licensed to operate in Kenya under the banking Act. The sample frame included all the commercial banks listed in the Central Bank of Kenya website. The 43 banks were further divided into 3 tiers based on profitability for the year 2008 as indicated in the Banking Survey 2009. Primary data was collected using a structured questionnaire while secondary data regarding organizational performance was obtained from the banking survey 2009. The data collected was analyzed using descriptive statistics in terms of frequency and percentage tabulations, cross tabulations and Pearson's correlation coefficient to determine the relationship between the practice of the learning organization and organizational performance. The study established that most Kenyan commercial banks had to a large extent adopted the following practices adopted by most organizations: development of information systems designed to inform and empower, formative accounting control, learning approach to strategy development, participative policy making, reward flexibility and supportive leadership. The practices least adopted were the ones involved in enabling structures, creating a learning climate and boundary workers as environmental scanners. Findings indicate that there is an inverse relationship between the practice
of the learning organization and organizational performance. This would suggest that there are other factors that have to be taken into account to determine and explain this discrepancy, hence the need for further study. In conclusion, the study established that two thirds of the Kenyan banks had adopted the practices of the learning institution. The study also indicates that there is a tendency for Kenyan commercial banks to focus on certain aspects of the learning organization instead of seeing the whole picture and focusing on the organization as a dynamic entity. Interest in the learning organization has been stimulated by the need to attain sustainable competitive advantage. The researcher recommends that the Kenyan commercial banks should embrace more systematic, definite and concrete steps towards adopting a learning culture, in order to survive the onslaught of competitive forces in the global market. The study suggests further investigation into whether the practices were adopted as part of a systematic strategy to develop the banks as learning organizations or whether they were simply adopted on an ad hoc basis for purposes of expediency and organizational survival.

**Pankaj Gupta and Seema Garg, (July – Dec 2011), Measuring Technical Efficiency of Commercial Banks through Data Envelopment Analysis**, states that it is due to fierce competition with financial corporate, banks have to use various performance measurement tools to improve the quality of their services. The study seeks to examine the competitiveness of Commercial banks in India. For this purpose, the study investigates analyses and compares the efficiency of 49 Commercial Banks by employing the Data Envelopment Analysis (DEA) resulting in the delineation and identification of the causes of inadequate performance. The performance of Commercial banks in India for private and public sectors is also measured using the non-parametric techniques. Constant returns to scale and variable returns to scale,
DEA Models are used for the analysis. The impact of scale on the efficiency scores is also assessed. The study reveals that there is a variation in the technical efficiency and the scale efficiency of most of the banks.

**Swaranjeet Arora and Rajendra Jain, (Oct-Dec 2011),** Evaluating Risk Management Practices in Indian Commercial Banks, view that Banking Industry has witnessed dramatic changes globally in past two decades. Not only profile of banking sector but also the nature of risk management in banks has changed drastically. Size and functions of banks has increased tremendously and have become varied and complex. The expanded role of banks has given rise to various risk exposures. Market forces are also influencing the banking sector and this has further accentuated the risk element. Hence, there lies an imperative need for the banks to address various risk elements and enhance risk management practices. This research paper is aimed to examine the degree to which Indian Banks use risk management practices in dealing with different types of risk and attempt has been made to identify the factors that contribute to Risk Management Practices in banks and to compare Risk Management Practices followed by public and private sector banks in India, the empirical study has been conducted and views of employees of various banks have been tested using statistical tools.

Risk Management is a cornerstone of prudent banking practices. The present study has indicated that Review based strategy; efficient Risk Management practices and banks inherent strength are the factors that form efficient Risk Management practices.

**Ganesamurty, K Amilan, (2011),** the Customers Attitude on CRM Practices of Commercial Banks in India, attempted to study the customers' perspectives on CRM practices of Commercial Banks in India, the sample size include 421 respondents from both public and private sector banks in Tamil Nadu, the study reveals that
customers’ perception of CRM in banks does not vary irrespective of different classifications of customers such as age, sex, education, occupation, income level, the bank in which customers have an account, type of account, type of account maintained by the customers and the period of customers’ association with banks. The validity of the results have been tested statistically by applying techniques such as ANOVA, ‘t’ - Test and Discriminant Function Analysis.

**Jyoti Sharma And Arti Devi,(2011), Role Stress Among Employees: An Empirical Study Of Commercial Banks**, state that stress has been on a rise in this era of high technology speed, global competition and consumerism. Taking its toll on the physical and psychological health of the employees, it is affecting the productivity and functioning of an organization. Researchers have demonstrated the direct and indirect costs of stress (Matteson and Ivancevich, 1987). Due to its cost, the critical importance of a stress-free work life for an organization for creating and sustaining competitive advantage cannot be underestimated and it comes with the realization that employees are susceptible to high levels of stress. According to Kalia (2002), an estimate of The World Health Organization (WHO) Global Burden of Disease Survey shows that mental health disease, including stress-related disorders, will be the second leading cause of disabilities by the year 2020. A survey in 2007 by Associated Chamber of Commerce and Industry of India also reported that work related stress and mental fatigue is affecting the Indian employees (www.assocham.org). In such an environment, it becomes the responsibility of the employing organizations and the individual to identify the causes of stress at the workplace and make efforts to reduce them for the effectiveness and efficiency of the individual and the organization itself.
P. K. Mishra,(Jan-June 2011), Economic Growth and the performance of Public and Private Sector Banks in India, attempts to analyze the impact of growth of Indian economy on the performance of public and private sector banks of the country. The results suggest that the growth of Indian economy is significant in explaining the performance of public and private sector banks. This result is in line with the “Demand – following” hypothesis. Thus, the outlook is that the planners and policy makers should architect prudential norms in line with international standards and best practices to ensure sustainable development of the Indian Banking System.

This result corroborates the ‘Demand – following’ hypothesis of Patrick (1966). This hypothesis posits that the increasing demand for financial services might lead to the aggressive expansion of the financial system as the real sector of the economy grows. Thus, the policy is that the economic growth of the country may be considered as the policy variable to generate banking sector development in the economy. Hence, the planners and policy makers should define prudential norms in line with international standards and best practices to make the fundamentals of the Indian more robust and congenial for stability of the banking sector.

Khanna, Vijay Kumar,(Oct 2011), A Survey Based Assessment of Progress in Implementation of Risk-Based Internal Audit in Indian Banks, compares banks in accordance with their risk profiles and introduces a flexible approach to deciding the quantum of supervisory attention and application of supervisory tools. As a corollary to RBS, banks were advised to migrate toward an internal inspection/audit corresponding to the RBS framework. Risk-Based Internal Audit (RBIA) was introduced formally with the release of a Guidance Note by RBI in 2002 calling upon banks to gradually switch over from traditional transaction-based internal inspection/audit to RBIA. RBIA has been implemented in Indian banks for over eight
years now. However, in so far as the progress of implementation of RBIA in Indian banks is concerned, there are no reliable sources/studies, and the literature on RBIA in the Indian context is scanty. This survey study assesses the progress made by banks in implementing RBIA as per the RBI guidance note, as also the organizational preparedness of banks in terms of policy framework, infrastructure, quantity and quality of audit personnel, IT support, etc. The study reveals that banks in India have adopted a staggered approach toward the implementation of RBIA and that the progress has been uneven amongst banks. The formation of a task force of senior executives and development of a board approved RBIA policy were spread over the years 2001-2009. All banks in India have implemented RBIA of branches, but many of them have not covered other activities/locations which form a major part of their business activities. In relation to the RBI guidance note, there are some significant gaps in the RBIA process adopted by banks. These have been identified by the researcher and suggestions have been made to the banks and RBI for improving the implementation and effectiveness of RBIA.

**Uddin, S M Sohrab, Suzuki, Yasushi,(July 2011), Financial Reform, Ownership and Performance in Banking Industry: The case of Bangladesh**, investigate the performance of commercial banks after the implementation of significant financial reform. Data Envelopment Analysis based frontier measures income and cost efficiency and traditional non-frontier measures non-performing loans and return on assets have been used for assessing bank performance. The findings indicate that income and cost efficiency of sample banks have increased by 37.84 percent and 15.28 percent respectively in 2008 compared to 2001. Similarly, non-performing loans and return on assets also report improvement in bank performance. The results generated by regression models indicate that foreign ownership has a statistically
significant positive impact on bank performance. On the other hand, private ownership has favorable impact on income efficiency, return on assets, and non-performing loans, whereas negative impact on cost efficiency.

**Verma, Richa,(Apr 2011)**, Performance of Scheduled Commercial Banks in India, attempt to evaluate the productive efficiency of Scheduled Commercial Banks (SCBs) operating in India. To judge the efficiency of banks, interest expenses and non-interest expenses (operating expenses) are considered as input variables and deposits, advances, investments and spread as outputs. The paper analyzed the efficiency of 88 SCBs with the dataset ranging from the year 1998-99 to 2007-08. The results of the study indicate that the scheduled commercial banks need a lot of improvement in their efficiency level, as at the most only 42.9 percent public sector banks, 40 percent private sector banks and 42.9 percent foreign banks were found efficient in a year during the study period. The results indicate that the public sector and foreign banks need to take steps to reduce the expenses and improve the output at the given input level because they have failed to acquire full efficiency score in six and five years, respectively, out of the ten years under study.

**Wanniarachchige, Manjula Kumara,(Mar 2011)**, How does ownership affect Bank performance? The case of Indian Commercial Banks, empirically investigate the effect of ownership on various performance dimensions. Drawing upon experiences of Indian commercial banks during 2002-2009, this study analyzes how state-owned, nationalized and domestic private banks are behind foreign banks, using data envelopment analysis together with three supplementary measures of performance. The findings suggest that the performance of domestic banks has not yet reached the level of foreign banks in terms of both cost and revenue efficiencies. Surprisingly, domestic private banks are the least efficient in the market. Though foreign banks
outperform domestic counterparts in multiple aspects, their contribution for spreading banking services beyond metropolitan cities by establishing new branches is trivial and thus they make the least contribution to country's financial deepening.

Narayan Swar, Biranchi,(Mar 2011), a Study of Customer Satisfaction and Service Quality in Private, Public and Foreign Banks, state that the need of the hour in the Indian banking sector is to build up competitiveness through service quality, thus making the banks more market oriented and customer friendly. This is why service quality is a vital concern for banking services. Effective service quality is increasingly being seen as a key strategic differentiator within the financial services sector. Thus, the present study focuses on customer satisfaction & service quality gap (customers' perceptions & expectations) measurement among public, private & foreign banks in Orissa. The study conducted among six banks of the state, namely State Bank of India (SBI) & Punjab National Bank (PNB) in public sector banks, ICICI Bank & Axis Bank in the private sector banks, and Citi Bank & Standard Chartered Bank among the foreign banks. A sample of 440 banking customers was taken and 300 usable questionnaires were analyzed.

Bilal, Hazrat Ahmed,(Mar 2011), Returns to scale of Islamic Bank Versus Small Commercial Banks in Pakistan, investigate the efficiency of Islamic banks by comparing it to the small commercial banks in Pakistan. Most of the previous studies that have been conducted on this topic give mix type of results. Some studies have found that Islamic banks are more efficient as compared to the commercial banks while others concluded that Islamic banks are less efficient as compared to their conventional counterparts. On the other hand, there are some studies that have found very weak or no difference in efficiency of Islamic banks verses commercial banks. To find out the efficiency estimates of individual banks the researchers has used Non-
Parametric Data Envelopment Analysis (DEA) method. This method allows for the decomposition of the technical (Overall) efficiency into its pure and scale efficiency components. According to the Islamic financial system principles, intermediation approach is applied for the specification of inputs and outputs. The finding suggests that scale inefficiency is dominated by the pure technical inefficiency effects in determining Islamic banks' overall or technical inefficiency. This suggests that Islamic banks are more efficient in operating at an optimum size though they are managerially not that much efficient. While vice versa is the case for commercial banks. However more Islamic banks during the study were operating at the optimum scale (CRS) therefore we concluded that Islamic banks are more efficient then small commercial banks in Pakistan.

Santhiyavalli, Sandhya. B,(Feb 2011), Service Quality Evaluation in select Commercial Banks, made an attempt to evaluate the service quality of select leading commercial banks by identifying the major factors responsible for customer satisfaction. To support the objective of the study, SERVQUAL technique, based on the model developed by Parasuraman et al. (1988), was adopted. The factor analysis clearly indicates that among the five dimensions 'assurance', 'tangibility' and 'reliability' are the major factors responsible for customer satisfaction which stood at 74% with regard to the services provided by ICICI Bank. State Bank of India (SBI) scored 94% on customers' satisfaction in respect of 'reliability', 'responsiveness', 'empathy' and 'tangibility'.

Ravi, Siva Prasad,(Feb 2011), an Analysis of Business Process Outsourcing Strategies of Public and Private Sector Banks in India, deal with the recent trends of Business Process Outsourcing (BPO) strategies and practices among banking institutions in India. The study attempts to analyze BPOs used by private and
public banks using four dimensional descriptive conceptual dimensions of outsourcing: 1) shoring model (vendor location/service creation), 2) sourcing model (vendor type), 3) engagement model (number of vendors engaged), and 4) duration of the engagement (contract period). The comparison of results reveals similar trends of outsourcing for public and private banks. However, public banks are more regulated, and thus are restricted from outsourcing of certain processes to avoid excessive risks of privacy of data and information related to customers. From a financial strategic point of view, in the long run, the underlying profit margins of a public bank might have adverse effects.

Das, Kallol, (Jan 2011), CRM Best Practices: A Case Study on State Bank of India, attempt to conduct a study of deployment of CRM Best Practices in the context of Indian retail banking, specific to State Bank of India located in Surat city. The research objective involves describing how the selected bank is deploying the CRM Best Practices toward building relationships with their retail customers. The case study method is the recommended research method in such situations when we deliberately want to cover the contextual conditions because they may be highly pertinent to the phenomenon of study. The study identifies 29 CRM Best Practices after extensive literature review. Further, the case study elaborates how well the practices have been deployed in State Bank of India. The case study report reveals that a few of the best practices are really well deployed. However, the deployment with regard to a majority of the practices needs significant improvement. There are six sources of evidence that can be used for triangulation of data. The current study uses only two to three sources of evidence and as a result the construct validity of the case study research is affected. This case study based on State Bank of India will definitely inspire other lagging banks to go for comprehensive deployment of CRM Best
Practices. Though several research papers have been published in the area of CRM practices, no publication was found, across the countries, in connection to CRM Best Practices.

Thiagarajan, Somanadevi, Ramachandran,(2011), an Empirical Analysis and Comparative Study of Credit Risk Ratios between Public and Private Sector Commercial Banks in India, carried out a study to measure the credit risk component of the Indian Scheduled Commercial Banking sector by using data from the past ten years (2001 - 2010). Our study illustrates how certain key credit risk ratios can be used to measure the credit risk in the banking sector. The results indicate that there is a consistent increase in the total loans to total assets ratio and total loans to total deposits ratio for both public and private sector during the period of study.

70) Ravi Kumar Jain, Ramachandran Natarajan, 2011, Factors Affecting the Outsourcing Decisions: A Study of the Banking Sector in India, made an empirical study of outsourcing practices in the banking sector in India. The purpose of the paper is to investigate the impact of factors which influence the decision makers' attitude towards outsourcing. He found that the impact of perceived benefits, perceived roadblocks, and perceived criticality on the attitudes towards outsourcing were found to be strong and statistically significant. The impact of perceived risk was weak and statistically insignificant. The model explaining the combined impact of these four factors on outsourcing attitudes was also statistically significant.

Husni Ali Khrawish,(2011), Determinants Of Commercial Banks Performance, deals with the Determinants of commercial banks performance. There are two categories, namely internal and external factors that effects on commercial banks performance, internal determinants of statement variables and non-financial statement variables. While financial statement variables relate to the profitability, which are within the
control of bank management, can be broadly classified into two categories, i.e. financial decisions which directly involve items in the balance sheet and income statement; nonfinancial statement variables involve factors that have no direct relation to the financial statements. External factors are those factors that are considered to be beyond the control of the management of a bank.

Siraj. K. K & P. Sudarsanan Pillai,(2011), Asset Quality And Profitability Of Indian Scheduled Commercial Banks During Global Financial Crisis, in their paper, investigated the performance of Indian Scheduled Commercial Banks before and after global financial crisis (2007-09). The development of banking sector and its stability is essential for the overall development of the economy. The stability of banking sector is determined on the basis of its performance and quality of assets. We examine the various aspects of performance and asset quality of Indian Scheduled Commercial Bank – group wise. The Indian banking sector underwent structural changes during post liberalization era with the implementation of prudential norms for income recognition, provisioning and asset classification. The banking sector is going to implement Basel III accord in the near forerun. The study is conducted using data available for the period 199-00 to 2010-11. The results of the study indicate the vulnerability of scheduled commercial banks to the financial crisis. Various indicators that reflect efficiency of banks were affected during the financial crisis. A notable result is the financial stability of public sector banks and increased susceptibility of private sector and foreign banks during financial crisis.

Jain, Nishi S,(2011), Indian Banking: Value Creation for Competitive advantage in Global Environment, focus on the competitive strategies of the banking sector and how the sector derives competitive advantage by adopting different strategies because the sector plays an important role in any economy. The study includes a
descriptive research by collecting the information from different banks and analyzing it in order to describe the strategies followed by banks to face the global challenges. The study helps in finding that the strategies followed by banks plays a very significant role and banking sector functioning becomes smooth and in turn it helps in the development of the country too. These strategies helps the banking sector to create the healthy financial system as global challenges provide the opportunities to banking sector to grow in both qualitative as well as quantitative.

66) Mohammad Firoz, 2011, IFRS – preparedness of Indian Banking Industry, made an attempt to analyze the preparations carried out by the Indian banking industry for the implementation of the International Financial Reporting Standards on and after 1 April 2011. The paper is based upon the critical analysis of the financial statements of the Indian banking industry and the relevant provisions of IFRS and other relevant laws applicable for the Indian banking industry. The main finding of this paper is that the Indian banking industry is preparing according to the target for convergence from 1 April 2011, but amendments in the various statutory laws of India are yet to be implemented / approved by the government.

Lakshmi Kumar, D. Malathy, L. S. Ganesh, (2011), the Diffusion of ATM Technology in Indian Banking, deal with technology diffusion in the banking sector in India by analyzing ATM (automatic teller machine) technology and its replacement of the teller (labor). ATMs are fast emerging as an important IT investment for a bank in India. Hence, in this paper the authors use the ATM as a proxy for capital and the teller as a proxy for labor. He found that the rapid diffusion of the ATM was clearly large from 1998, nine years after it was first adopted. This was also a time when the number of tellers was falling and the wage bill for tellers increasing. The CES
production function model used in this paper is clearly a good predictor of the data compared with the other cases. The estimate shows that the degree of substitutability of the teller by the ATM is high. However, the ATM is not a perfect substitute. By running counterfactual experiments, it can be concluded that both a fall in the price of ATMs and an increase in the wage bill for tellers contributed to the diffusion of the ATM.

**Firdaus Abdullah, Rosita Suhaini, (2011),** Bank Service Quality Index: An Indicator of Service Performance, aim to design and validate a new measuring instrument of service quality, and ultimately to establish a national service quality index for the banking sector. The primary contribution is the insight offered regarding what factors affect service quality and the BSQ Index, a national indicator reflecting the level of service quality within the banking sector. A factorial analysis suggests that service quality has three dimensions namely “Systemization”, “Reliable Communication” and “Responsiveness”, and subsequent multiple regression analysis revealed that “Systemization” is the most important service quality dimension within the banking sector. The overall weighted BSQ Index of 4.00 implies that banking customers are generally pleased with the quality of services rendered by banking institutions.

**Bandopadhyay, Kalpataru, Souvik Kumar, (Dec 2010),** Risk Analysis of Scheduled Commercial Banks in India, made an attempt to investigate how group characteristics and bank-wise individual factors (credit policy, extent of hedging) influence the risk of a bank and how they vary with time. Initially we used coefficient of variation and K-means cluster analysis to explore the nature of the data. Further, we attempted a mixed modeling strategy to model the net interest margin values, treated as a surrogate of the exposed risk of a bank. The estimates of mixed model
suggested that although there was an observed group-wise disparity in the level of risk, risk is more sensitive towards the individual characteristics of the bank. It was also observed in the study that the temporal effect on group-wise characteristics and individual bank characteristics is minimal in determining their influence on the exposed risk of a bank. The study indirectly demonstrates why Indian banks are almost unperturbed even in the backdrop of collapse of big banks in US and Europe.

**Padmaja R, (Nov 2010), A Study of Customer Relationship Management in Banks**

with reference to Bank of India, Hyderabad, viewed that

Todays customers buying decisions are not based simply on the quality of the product but with the relationship they have with the company. Banking industry has gone through many changes, privatization to nationalization and back to privatization with the international players on the one hand and on the other hand accepting deposits and giving advances to expanding services to wide variety of products. It is the responsibility of the organizations to provide what they need so that they can do their job properly. In today's world, we do business with individuals or groups with whom we may never meet and hence much less known in person to person sense. Customer Relationship Management is about creating the feel of comfort in this high tech environment. This paper focuses the role of Customer Relationship Management in banking sector and the need for Customer Relationship Management to increase customer value and Customer Relationship Management in Banks with special reference to Bank of India, Hyderabad.

**Hagendorff Jens, Collins Michael,(Sep 2010), Board Monitoring, Regulation and Performance in the Banking Industry,**

examine how the interaction between bank-level monitoring and regulatory regimes influences the announcement period returns of acquiring banks in the US and twelve European economies. Three board monitoring
mechanisms were studied - independence, CEO-chair duality, and diversity - and their effectiveness was analyzed in preventing underperforming merger strategies under bank regulators of varying strictness. Only under strict banking regulation regimes, do board independence and diversity improve acquisition performance. In less strict regulatory environments, corporate governance is virtually irrelevant in improving the performance outcomes of merger activities. Results indicate a complementary role between monitoring by boards and bank regulation. This study is the first to report evidence consistent with complementarily by investigating the effectiveness (rather than the prevalence) of governance arrangements across regulatory regimes. Attempts to improve the ability of bank boards to critically assess managerial initiatives are most likely to be successful if internal governance is accompanied by strict industry regulation.

Karthikeyan, K; Karthi, R,(July 2010), Impact of Training in Indian Banking Sector, an Empirical Investigation, view that employee training is becoming a necessity to every organization now-a day. Employees are entrusted different roles and responsibilities in the banks. Training enables them to carry out these roles and responsibilities efficiently and also learn new things, which will prepare them to take up higher responsibilities in the future. In this study the researcher studies the existing practices of the various aspects of training program and its effectiveness in selected public and private sector banks in Tiruchirappalli District, South India. This is mainly to assess the present status of the employee effectiveness in discharging the roles and responsibilities in tune with the objectives of the bank. The aim is to assess the effectiveness of the various facets of training i.e. employee's attitude towards training inputs; quality of training programmes; training inputs and application of training inputs to the actual job.

Bodha B. S. Bajaj, Richa Verma,(Feb 2010), an Analysis of Efficiency of Private Sector Banks in India, aim to examine the efficiency, benchmarks and targets for private sector
banks operating in India. Keeping in view the limitations of ratio analysis techniques, production approach of Data Envelopment Analysis (DEA) was applied to judge the efficiency of private sector banks. In this model, banks are considered as service providers, and while interest expenses, non-interest expenses and the Non-Performing Asset (NPA) ratio, i.e., net NPAs to net advances, are considered as input variables, deposits, advances and investments are considered as the output variables. The paper analyzes the efficiency of 29 private sector banks with the dataset ranging from the period 1998-99 to 2005-06. The results of the study indicate that there is a lot of scope for the private sector banks to improve their efficiency level, as, at the most, only 31.25% private sector banks were found efficient during the entire study period. The results indicate that a majority of private sector banks in India need to take steps to decrease the NPA level and improve their output parameters, such as deposits, advances and investments, because they have failed to acquire full efficiency score in all the years under study.

Kumar, Sunil, Gulati, Rachita,(2010), Measuring Efficiency, Effectiveness, and Performance of Indian Public Sector Banks, compare the efficiency, effectiveness, and performance of 27 public sector banks (PSBs) operating in India by using a two-stage performance evaluation model. Using the cross-sectional data for the financial year 2006/2007, the technique of data envelopment analysis has been used for computing the efficiency and effectiveness scores for individual PSBs. The overall performance scores have been derived by taking the product of efficiency and effectiveness scores. The empirical results reveal that high efficiency does not stand for high effectiveness in the Indian PSB industry. A positive and strong correlation between effectiveness and performance measures has been noted. Further, on the efficiency front, State Bank of Travancore appears as an ideal benchmark, while State Bank of Bikaner and Jaipur, and State Bank of Mysore emerge as ideal benchmarks on the effectiveness front. The practical
implication of the research findings is that in their drive to improve overall performance, Indian PSBs should pay more attention to their income-generating capabilities (i.e. effectiveness) relative to their ability to produce traditional outputs.

Suganthi J, Santhi,(2010), a Study on Operational Efficiency and Profitability of Banks, view that the global economy has begun to recover from the deep recession set off by the financial crisis. This recovery is underpinned by output expansion in emerging market economies (EMEs), particularly those in Asia. In India, GDP growth in the first quarter of 2009-10 at 6.1 per cent represents a modest recovery over the 5.8 per cent growth recorded during the preceding two quarters in the second half of 2008-09. As per the International Monetary Fund (IMF) estimates, world economy has expanded by 3 per cent in the second quarter. The pace of recovery is uncertain. Though Indian Banking is above the global meltdown, there have been significant shift in the Indian Banks which could affect in a slowdown of India's aggressive growth plans. This situation requires an in depth study of efficiency of the banks and factors responsible for success and failure of banks. The present study aims at analyzing the efficiency among the Top three India's Best Bank in India. This study has evaluated the various factors influencing the efficiency of three banks using ratios and statistical tools. The study has indicated that the variable Return on Assets have significant relationship with Net Profit.

Khanna, Ashu,(Oct 2009), A Study to investigate the reasons for Bank frauds and the implementation of preventive security controls in Indian Banking System, seek to evaluate the various causes that are responsible for banks frauds. It aims to examine the extent to which bank employees follow the various fraud prevention measures including the ones prescribed by Reserve Bank of India. It aims to give an insight on the perception of bank employees towards preventive mechanism and their awareness towards various frauds. The study signifies the importance of training in prevention of bank frauds. A strong
system of internal control and good employment practices prevent frauds and mitigate losses. The research reveals that implementation of various internal control mechanisms are not up to the mark. The results indicate that lack of training, overburdened staff, competition, low compliance level (the degree to which procedures and prudential practices framed by Reserve bank of India to prevent frauds are followed) are the main reasons for bank frauds. The banks should take the rising graph of bank frauds seriously and need to ensure that there is no laxity in internal control mechanism.

**Mahesh, H. P Rajeev, (Mar 2009),** Producing Financial Services: An Efficiency Analysis of Indian Commercial Banks, attempt to examine the changes in the productive efficiency of Indian commercial banks after the financial sector reforms initiated in 1992. Using stochastic frontier technique we estimate bank specific deposit, advance and investment efficiencies for the period 1985-2004. Our results show that deregulation has significant impacts on all three types of efficiency measures. While deposit and investment efficiencies have improved, advance efficiency has declined marginally. Public sector banks as a group ranks first in all the three efficiency measures showing that, as opposed to the general perception, these banks are doing better than their private counterparts. Private Banks however have shown marked improvement during the post-liberalization period in terms of all three types of efficiency measures.

**Pai V. S, (2009),** a Study of Profitability and Efficiency of Banks in India, compares profitability and efficiency of banks operating in India. Four categories of banks (based on RBI classification) were considered for the study. These were SBI and Associated Banks, Nationalized Banks, Scheduled Commercial Banks and Foreign Banks. The period of study was 2006-08. First, ANOVA was used to determine whether there existed variability among the bank groups with regard to Return on Assets (ROA) and Profit per Employee (PPE). The tests revealed significant variation in profitability and efficiency with regard to
the bank groups being studied. It was then decided to use discriminant analysis to classify the groups as 'high profitable cum high efficient banks' and 'low profitable cum low efficient banks' relative to each other. The discriminant analysis revealed foreign banks as high performing banks where as the remaining three groups as low performing banks.

Valentina Flamini, Calvin Mcdonal, And Liliana Schumacher,(2009), The Determinants Of Commercial Bank Profitability In Sub-Saharan Africa, use a sample of 389 banks in 41 SSA countries to study the determinants of bank profitability. We find that apart from credit risk, higher returns on assets are associated with larger bank size, activity diversification, and private ownership. Bank returns are affected by macroeconomic variables, suggesting that macroeconomic policies that promote low inflation and stable output growth does boost credit expansion. The results also indicate moderate persistence in profitability. Causation in the Granger sense from returns on assets to capital occurs with a considerable lag, implying that high returns are not immediately retained in the form of equity increases. Thus, the paper gives some support to a policy of imposing higher capital requirements in the region in order to strengthen financial stability.

Rao, Nageshwar, Tiwari, Shefali,(Oct 2008), A Study of Factors affecting Efficiency of Public Sector Banks, view that Banking industry in India is all poised for a major leap in coming years. The year 2004 witnessed some major positive changes in this industry. Falling interest rates, a pickup in demand for loans, chiefly in retail sector and good spreads in treasury transactions caused a substantial face lift to all players in the banking sector. All top rated banks have succeeded in reducing their NPA's by around 65% to 100%. The growth in business is also an impressive 24-41%. But, one thing that is sending alarm signals is that stronger banks are becoming stronger and weaker ones are in the process of being wiped off. This calls for an in depth study of efficiency in the public
sector banks, the factors responsible for success and failure of banks. The present study aims at finding answers to similar questions and reveal efficiency determinants amongst public sector banks in India. This study has evaluated the factors affecting the efficiency of public sector banks using twenty three variables, employing product moment correlation.

Pratap Sinha, (July 2008), Profit Efficiency of Indian Commercial Bank, seek to compare the Indian commercial banks (for the reform period) in respect of their ability to generate operating profit by using the data envelopment approach under both constant and variable returns to scale. The years of analysis are 1998-99, 2000-01, and 2002-03. The results show that the observed commercial banks have diverged in terms of technical and scale efficiency in 2000-01 as compared to 1998-99. However, the trend has been somewhat reversed in 2002-03. Further, most of the commercial banks exhibited decreasing returns to scale for the years of study. The observed private sector banks have higher mean technical efficiency scores as compared to their public sector counterparts. A comparison of the mean technical and scale efficiencies of the public sector commercial banks with regard to private sector commercial banks shows that for 1998-99 and 2002-03, the observed public sector commercial banks have higher mean scale efficiency scores than the observed private sector commercial banks.

Ahmed Ebrahim, Iftekhar Hasan, (2008), the Value Relevance of Product Diversification in Commercial Banks, examine differences in the value relevance of commercial bank earnings components from interest and noninterest banking activities. Specifically, it studies market reaction to changes in bank earnings from noninterest sources resulting from expansion into new financial services other than the traditional intermediation activities. A sample of commercial banks between 1993 and 2002 is used. Results show that annual abnormal returns have more significant positive relation with changes in the noninterest component of bank earnings compared with changes in the interest component
of earnings. These results are more obvious for small banks and after 1999, the year in which the Gramm-Leach-Bliley Act allowed banks to expand into more noninterest banking activities.

Ray, Subash C,(Feb 2007), Are some Indian Banks too large? An Examination of size efficiency in Indian Banking, use data from the years 1997-2003 to evaluate the size efficiency, as distinct from scale efficiency, of Indian banks. Following Maindiratta [Maindiratta A (1990) J Econ 46:39-56] we consider a bank to be "too large" if breaking it up into a number of smaller units would result in a larger output bundle than what could be produced from the same input by a single bank. When this is the case, the bank is not size efficient. Our analysis shows that many of the banks are, indeed, too large in various years. We also find that often a bank is operating in the region of diminishing returns to scale but is not a candidate for break up.

G. Bharathi, Kamath,(2007), the Intellectual Capital Performance of Indian Banking Sector, seek to estimate and analyze the Value Added Intellectual Coefficient (VAIC(TM)) for measuring the value-based performance of the Indian banking sector for a period of five years from 2000 to 2004. Annual reports, especially the profit/loss account and balance-sheet of the banks concerned for the relevant years, were used to obtain the data. A review is conducted of the international literature on intellectual capital with specific reference to literature that reviews measurement techniques and tools, and the VAIC(TM) method is applied in order to analyze the data of Indian banks for the five-year period. The intellectual or human capital (HC) and physical capital (CA) of the Indian banking sector is analyzed and their impact on the banks' value-based performance is discussed. The study confirms the existence of vast differences in the performance of Indian banks in different segments, and there is also an improvement in the overall performance over the study period. There is an evident bias in favor of the performance of foreign banks
compared with domestic banks. All 98 scheduled commercial banks are studied as per the information provided by the Reserve Bank.

**Singh, Dharmendra, (Aug 2006),** Evaluation of Private Sector Banks in India, view that the banking and financial sector in India underwent a significant liberalization process in the early 1990s, which led to reforms in the banking and financial sector and changed the Indian banking structure. During the period from 1992 to 1997, interest rates were liberalized and banks were allowed to fix lending rates. By 1977 CRR was reduced to 9.5% and SLR was reduced to 25%. As a sequel to these reforms, new private sector banks were allowed entry in the market. Many of these private sector banks brought with them new technologies. Private sector banks started product innovation and competition. Even then Indians prefer nationalized banks for their services. The failure of Global Trust Bank made Indian depositors to question the sustainability of private sector banks.

This paper attempts to undertake SWOT Analysis of 20 old and 10 new private sector banks. These banks have also been ranked on the basis of financial data for the years 2003, 2004 and 2005.

**Sachan Amit, Anwar Ali, (Apr-June 2006),** Competing in the Age of Information Technology in Developing Economy: Experiences of an Indian Bank, describe how banking in India has changed after developments in information technology in the last decade. The new private and foreign banks, which are strong in technology, are giving tough competition to old public sector banks. Private Banks have pioneered Internet banking, phone banking, anywhere banking, mobile banking, debit cards, automatic teller machines (ATMs), and retail banking in urban India. This case is about the VN Bank, a public sector bank that has to formulate its strategy in order to compete in this new environment. The case also explores the opportunity and challenges for the bank in rural India and makes readers think about how information technology can help the bank in
building a strong position in the rural markets. The findings of the case study also can be
generalized across other developing countries, where domestic companies are facing tough
competition from foreign and private players.

**Vyas, Richa Sharma, May 2006, A Comparative Study of Cross selling Practices in**
Public and Private Sector, studied cross-selling practices in Indian public and private
sector banks through the case study method. The study revealed that cross-selling practices
in public sector and private sector banks are quite different. These differences emerge
mainly from their different philosophy, background and distinct target customer segments.
However, both sectors can learn from each other; public sector banks can introduce
specialized training and incentives, whereas private sector banks need to introduce
appropriate control mechanisms and avoid indiscriminate cross-selling. The paper also
brings out the elements of successful cross-selling in India. Journal of Financial Services

**Cheng-Ping Chang,(Mar 2006), Managing Business Attributes and Performance for**
Commercial Banks, views that there are many limitations to using traditional statistical
System Theory" to supplement those limitations and it's more suitable to evaluate the
financial ratios into research variables using the Grey Relations Analysis to find the
significant financial ratio variables and financial indicators to affect the financial
performance of commercial banks in Taiwan. In conclusion, there is a significant
relationship between attributes and financial performance of commercial banks. Moreover,
managers have to value and understand the performance and factors of commercial banks
in order to decrease the operating risk.

**Selcuk Percin, Tuba Yakici Ayan,(2006), Measuring Efficiency of Commercial Banks in**
a Developing Economy, conducted a survey to evaluate the efficiency of commercial
banks in Turkey using a Data Envelopment Analysis (DEA) and Malmquist Productivity Index (MPI) methodologies. For this purpose, two outputs representing total loans and non-interest income, and four inputs representing the number of employees, physical capital, non-deposit funds and total deposits are selected for a two-year (2003-2004) period in the analysis. Using data for the year 2004, 11 of the 31 banks are found to be efficient under CRS, while 16 of them efficient under VRS assumption. Also, for the year 2003, 16 of the 31 banks have been calculated efficient under CRS while 23 of them efficient under VRS assumption. In addition to efficiencies of banks, it has been found that there is an increase of bank’s efficiency changes over the time period of 2003-2004. In this paper, the DEA models are solved using a modeling system called LINDO (linear, interactive, discrete optimizer) 6.1 software package.

**Jui-Chu Lin, Jin-Li Hu, Kang-Liang Sung, (Dec 2005),** the Effect of Electronic Banking on Cost Efficiency of Commercial Banks: An Empirical Study, investigate the effect of electronic banking, as measured by the extent to which banks make use of automatic teller machine (ATM), on their cost efficiency, before and after the 1997 Asian financial crisis. They used stochastic frontier analysis (SFA) approach to investigate the cost efficiency of 35 commercial banks in Taiwan from 1995 to 2001 and compare their operating performance before and after the Asian financial crisis. A bank's efficiency cannot be improved by merely increasing its ATM numbers: It should perhaps be in coordination with other electronic businesses, such as interactive video terminal (IVT) system, automated clearing house (ACH) system point of sale (POS) system, remote banking system, financial electronic data exchange interchange, and even internet banking. The more bank branches there are, the more inefficient the banks. On average, a bank's cost inefficiency is significantly higher after the 1997 Asian financial crisis.
Goyal Parul, Sharma, Kirti,(Oct 2004-Mar 2005), the State Bank of India: A Progressive Study of Transformation of a Socialistic Welfare Organization into a Market Entity, view that that State Bank of India (SBI) is one of the oldest banks in India. Primarily set up as a financial institution to take care of interests of the traders, this bank had to undergo basic changes in order to cater to the needs of independent India. As was the requirement of a newly independent country, SBI focused primarily on development issues for the under privileged and rural development. This bank also became the facilitator for the development of the industrial infrastructure of the country. The bank had to radically change in 1991, when the country faced acute financial stress. This paper compares the bank's performance on international performance parameters (pre 1991 and post 1991 figures) in order to understand the changes the bank had to undergo to adjust to the new circumstances. They also compared the current performance figures with two other banks to understand the bank and its activities with those of peer banks.

Anonymous,(June 2004), Investment Portfolio of Scheduled Commercial Banks, has discussed that the aggregate investments in approved securities of scheduled commercial banks constituted 42.7% of their aggregate deposits at the end of March, 2003. Credit-deposit ratio, which declined from 58.6% in1996 to 51.1 in1999, showed an increasing trend thereafter and stood at 56.9% as on the last Friday of March 2003. The investment-deposit ratio also showed an increasing trend after 1999. However, high increase in investment-deposit ratio in2002-2003 clearly indicates banks' preference towards enlarging their relatively safe investments portfolio as compared to their advances. But the aggregate investments of scheduled commercial banks (excluding RRB) registered a growth of 16.5% during 2002-03, relatively lower than the growth of 18.3% witnessed in2001-02. Following the declining trend of CRR, as per the monetary policy
announcements in recent years, the cash-deposit ratio exhibited a downward trend after 2000.

Ganesan P, (July-Dec 2003), Impact of Priority Sector Advances on Profitability of Public Sector Banks in India, re-examines the repeated observations of economists and bankers that whether the priority sector advances have actually eroded the profitability of the public sector banks. Concessional interest rate, the subsidy rate and credit outstanding to priority sectors have increased over the years. The total amount of interest income loss in 1974 was Rs.34.13 crores (one crore = 10 million) which had gone up to the maximum of Rs.973.25 crores in 1990-91 declined to Rs. 108.24 crore in 1998-99. The income loss ratios are substantially higher than the profitability ratios and the differences between them have increased. Consequent to the introduction of reforms in financial sector, the banks began to step-down the target for priority sector credit and thus there was decline in the income loss ratios, which subsequently increased the profitability ratios, thus establishing the fact that the priority sector advances, concessional lending and cross subsidization of advances adversely affected the profitability of Indian Public sector Banks (PSB).

Wei-Ling Song, (2003), Coexistence And Specialization Of Investment Banks And Commercial Banks, views that prior research documents that commercial banks underwrite bonds with lower net yields than investment banks and concludes that commercial banks are superior underwriters. However, such a conclusion is inconsistent with the observed prominent role of investment banks in underwriting. This paper demonstrates that the findings of prior research are driven by the empirical methodology employed. This methodology does not permit individual underwriters to possess different comparative advantages and to serve different clienteles. When such factors are included, the results are markedly different from those of prior studies. On average, both types of
underwriters serve their bond-issuing clients better than the other would and obtain significantly higher bond prices for them. The findings demonstrate that firms select rationally between underwriter types, seeking to minimize the total costs of bond issuance.

Prof. Dr. Mohi-Ud-Din Sangmi And Dr. Tabassum Nazir, Analyzing Financial Performance Of Commercial Banks, view that the sound financial health of a bank is the guarantee not only to its depositors but is equally significant for the shareholders, employees and whole economy as well. As a sequel to this maxim, efforts have been made from time to time, to measure the financial position of each bank and manage it efficiently and effectively. In this paper, an effort has been made to evaluate the financial performance of the two major banks operating in northern India. This evaluation has been done by using CAMEL Parameters, the latest model of financial analysis. Through this model, it is highlighted that the position of the banks under study is sound and satisfactory so far as their capital adequacy, asset quality, Management capability and liquidity is concerned.

Yansheng Zhang & Longyi Li, Study on Balanced Scorecard of Commercial Bank in Performance Management System, deal with the performance management of commercial banks is an important aspect of banking business management. this paper makes study about how to use the Balanced Scorecard as a tool, which is applied to commercial banks performance management system, and points out that it breakthrough the defects in the traditional single application of financial indicators which measures performance. And it raises the value of performance management appraisal system based on the introduction of customer factors, internal business processes, employee learning and growth and financial factors. This paper also makes study about the commercial banks in the performance of the Balanced Scorecard Management System mechanism, the strategy of application,
application limitations, and outlook on the future of commercial banking services model based on the above points.

**Smith Warren L., (Nov 59), Financial Intermediaries and Monetary Controls,** analyzes the role of non-bank financial intermediaries in the financial structure of the economy, its relation to the commercial banking system and the impact of its growth on the monetary policy. The recent argument studies about the similarities of financial intermediaries on commercial banks. It is a considerable oversimplification which exaggerates the similarities between commercial banks and financial intermediaries. The role of intermediaries in the process of credit expansion differs from that of commercial banks in three important respects. The analysis suggests that financial intermediaries have not contributed very much to instability of monetary policy.

**1.9 NEED FOR THE STUDY AND STATEMENT OF THE PROBLEM**

Financial statements are prepared primarily for decision-making. They play a dominant role in setting the framework of management decisions. But the information provided in financial statements is not an end itself as no meaningful conclusions can be drawn from these statements alone. The information provided in the financial statements is of immense use in making decisions through financial analysis. Financial analysis is "the process of identifying the financial strengths and weakness of a firm by properly establishing relationship between the items of the balance sheet and the profit and loss account". There are various methods or techniques used in financial analysis such as comparative balance sheets statements, trend analysis, common size statements, schedule of changes in working capital, funds flow and cash flow analysis, cost volume-profit analysis, and particularly in banking sector, the financial analysis is very much essential as they deal with public money, ratio analysis.
is one that methodically classifies the data of banks income statement and Balance sheet by establishing the relationship among various items of those statements, wherefrom many performance indicators can be received by the mangers and can understand well about the functioning and financial performance of a bank. It is very vivid that the financial performance of individual banks differ from one to another, however, the performance as discussed is also distinguishable between public sector banks and private sector banks. So in the present study the statement of the problem is undertaken as FINANCIAL ANALYSIS OF COMMERCIAL BANKS – A COMPARATIVE STUDY.

1.10 OBJECTIVES OF THE STUDY

The main objective of the study is to analyze and compare the financial performance of select banks in terms of Deposits mobilization, Lending and Recovery Performance and Investment, Management efficiency and profitability of public and private sector banks through select financial ratios. Hence, the specific objectives of the study are:

1. To find out various financial services and facilities offered by the public and private sector banks.
2. To compute and compare the financial performance of SBI and HDFC through select parameters, namely, trends of Deposits, Lending, and Recovery Performance.
3. To evaluate and compare financial and fiscal performance and Investment and Management efficiency as well as profitability of select Banks through ratios.

1.11 HYPOTHESES OF THE STUDY

Ho1: There is no significant difference in the volume of Demand
Deposits, of SBI and HDFC Bank.

Ho2: There is no significant difference in the volume of Savings Deposits of SBI and HDFC Bank

Ho3: There is no significant difference in the volume of Term Deposits of SBI and HDFC Bank

Ho4: There is no significant difference in the total volume of loans & advances.

Ho5: There is no significant difference in the total volume of term loans of SBI and HDFC bank.

Ho6: There is no significant difference in the total volume of short term loans of SBI and HDFC bank.

Ho7: There is no significant difference in Recovery Performance between SBI and HDFC Bank.

Ho8: The financial performance in terms of Investment Valuation Ratios of SBI and HDFC bank does not differ significantly.

Ho9: The financial performance in terms of Profitability Ratios of SBI and HDFC Bank does not differ significantly.

Ho10: The financial performance in terms of Debt Coverage Ratios of SBI and HDFC bank does not differ significantly.

Ho11: The financial performance in terms of Profit and Loss Account Ratios of SBI and HDFC does not differ significantly.

Ho12: The financial performance in terms of Management Efficiency Ratios of SBI and HDFC bank does not differ significantly.
1.12 SCOPE AND LIMITATIONS OF THE STUDY

The present study focuses on a critical evaluation of financial performance of select public sector and private sector banks through financial, fiscal, Investment, Management efficiency and profitability ratios. It also compares the financial performance of SBI and HDFC over select parameters, namely, trends of Deposits, Lending, and Recovery Performance. Though the study is very comprehensive in nature, it is subjected to the following limitations, they are:

- One of the major limitations of this study is all the banks in Hyderabad were not considered as the network of operation of all the banks is quite distinguishable.
- The banks considered are SBI from Public sector Banks and HDFC from private sector banks as they are the leading banks.
- Co-operative banks and foreign banks are kept out of the study as they follow different set of guidelines given by RBI.

1.13 DATA SOURCES AND METHODOLOGY

The study is a case method of Research and comparative analysis in nature. The study used only secondary data that was collected from research articles, books related and thesis works already done on the topic and particularly from annual reports of SBI and HDFC Bank. State Bank of India (SBI) and Housing Development Finance Corporation Limited (HDFC) are selected as sample banks for the study as they are top banks in the domain of public and private sectors. The total time period of the study is 5 years, i.e. 2008-2012. To prove the
authenticity of the findings, t-Test and Test of difference between proportions are employed.

1.14 CHAPTERISATION SCHEME OF THE STUDY

The study titled Financial Analysis of Commercial Banks – A comparative study is divided into six chapters and presented as follows:

**Chapter I – Introduction**

This chapter presents the conceptual framework and an overview of Banking sector as well as the Research Methodology including Review of Literature.

**Chapter II – Financial Analysis-An Overview**

This chapter presents the financial analysis and tools with specific reference to banking sector

**Chapter III – Profile of SBI and HDFC**

This chapter presents the brief profile and mile stones of SBI and HDFC.

**Chapter IV – Depository, Lending and Recovery Performance of select Banks – an Analysis**

This chapter depicts the analysis of growth of deposits and lending performance of select banks in an analytical way. Also presents the trends over the performance in recovery of loans given and NPA analysis of select banks.

**Chapter V– Financial Performance of select banks - A comparison.**

This chapter presents the Investment Valuation Ratios, Management Efficiency Ratios, Leverage Ratios and Profitability Ratios as well as a comparison of SBI to HDFC Bank.

**Chapter VI – Summary of Findings, Suggestions & Conclusion**

This chapter presents the findings of the study and suggestions and finally the summary of the study in terms of conclusion.