Chapter 8
CONCLUSION

According to World Economic Forum, competitiveness is the factor to determine productivity of a country.

As it rightly highlights, “The level of productivity, in turn, sets the level of prosperity that can be reached by an economy”. In other words, a more competitive economy is one that is likely to grow faster over time.

To be a globally competitive economy, a country’s competitive Banking system plays a major role. Our banking system has a strong legacy with multiple dimensions to its centuries of operations. Our banks have seen many milestones since its inception and credited with strong cultural values. Unlike western countries, we have strong cultural values towards financial sectors which has shaped during centuries. The present form of system can be said as an outcome of many policy interventions.

Banking sector has seen many structural reforms since independence. Series of changes like, nationalisation phases of 1969 and 1980, financial liberalisation of 1991 have contributed to many structural changes to countries economy. Change in ownership with public sector organisations by just retaining 51% share from an absolute ownership are some of the bold steps taken by government to bring competitiveness in sector.

A progressive approach towards embracing this change has been a norm for government through its structural reforms. Series of financial sector reforms and monetary policy measures from central bank has prepared the sector to compete effectively with global players. In such a way that the competitive environment has given great growth and solid stability to Indian banking sector. The various global financial crisis has never affected Indian banking sector in any period of time. From the day it has opened to global environment, the adoption of various policies have helped banking sector to get stability. Few such important reforms are by introduction of the Recovery of Debts Due to Banks and Financial Institutions Act during 1993. To further strengthen
banking sector, 29 debt recovery tribunals (DRTs) and 5 debt recovery appellate tribunals (DRATs) were established at various places. Lok Adalats were introduced to resolve disputes of banking sector, resulting to achieve NPA’s from 23.2% from 1993 to 16% in 1998. Establish of Credit Information Bureau (India) Ltd (CIBIL) in 2000 has further strengthened our core way of doing banking business in India. with this the NPA’s were further brought down to 12% in 2001 and 2.4% in 2008. It’s a tremendous achievement.

Further adding competitiveness among private sector banks, FDI was brought under automatic route, allowing upto 74% investment as sectoral limit through FIIs, FPIs and QFIs. But still portfolio investments are capped at 49% in public sector.

With technology in place, liberalisation has made humongous changes to the way banks operate in India. On the other hand, 90’s was the real beginning of technological era, personal computers started to reach people in this period, it has become essential product for everyone. Internet has connected people around the globe. World wide web, a graphical internet version was invented by Tim Berners-Lee in 1991. Netscape Navigator a surfing website became popular as search engine. Even Mobile phone invention has changed the way people communicated. The world was moving faster than ever before due to technological advancements during this period.

At the same time in India, de-nationalisation was introduced to overcome long sluggish policy insulations. The socialism and protectionism was proved to be costlier for democratic India. It was facing balance of payment crisis, rupee value was falling down continuously, the reserves were coming to extinction, the human development index was suffering, social status of people was not so good. The only way to save the economy was to decide on financial liberalisation. This lifeline has created many avenues interms of economic and social upliftment of people. Opportunities flowed in through job creations, products from various corners of the globemade available in our neighborhood shops.

The global banking practices have become norms and are forced on Indian companies to follow to get a stature as multinational organisation. From a slow and steady environment to fast and agile way of doing things was taking shape. Ultimately the
culture of organizations were slowly changing to western way of doing things. The legacy of culture and values followed by hardcore Indian companies were fading away. The polices were changing every now-and-then to cope up with ever changing technology in the banking operation space and greater customer expectations. Technological advancements were hitting first to western countries, followed to India which was trying to match to the speed. However, the polices and regulations in Indian banks are still rigid. RBI being central bank takes the lead in governing policies and regulations for banks in India. The periodical changes made by RBI continued with tightening of monetary policy by the way of instruments at a part its disposal.

Though many changes happened towards modernization of Indian economy, the basic principles towards social values and obligations to its society has been intact. Banks still have their social inclusion polices running to keep the promises to its society and people. State Bank of Mysore started as non-profit, community services banking during wodeyers period has still kept its vision and mission to service people.

SBM in its vision and Mission clearly states its motive to serve people with great respect without making any distinction to the individuals. The societal obligations and responsibility is clearly defined in the vision and mission of bank.

State bank being an old bank with high values to social development has committed to social inclusion, the bank has tremendously contributed to Priority Sector Lending and Social Banking. Bank is approachable to customers, who can reach any level of its organisation easily. The responsibilities towards social policies and inclusiveness is in its DNA since its inception. The bank responsibility towards people development has come as a mandate from Mysore wodeyers who patronized the bank. The visionaries to societal development for bank has percolated from Mysore kingdom who had great concern to its people developments. Princely state of Mysore has given greater importance to women development by spread of education making it popular for girl child to take education compulsory. The strength of school has rose from 235 girl during 1901 to 243 by 1903. Princely state has also showed concern towards people upliftment. The various developmental activities of bank time to time has credit to make it popular among
citizens. Bank has clearly demarcated its intentions and will towards development of India through its various schemes and advances aims to improve the financial conditions of people and society. Banks is more approachable to people who are needy, keeps its agenda aligned to government schemes and social policies. It has significantly changed the lives of people, more or less state bank of Mysore was like a personality which carried values of Mysore king Krishna Raja Wadiyar-IV who is the main reason to start the bank, has always lived up to the values to serve people. Mahatma Gandhi called Krishna Raja Wadiyar as ‘Rajarishi’ for his immense contributions. Joining the hands of Maharaja, Sir M. Vishweshwaraiah was instrumental in starting this bank was awarded with the Bharat Ratna in 1955. He was affectionately known as the Father of Modern Mysore State. Such a legacy State Bank of Mysore carried since its inception has lived up to its values. Bank has contributed immensely to government sponsored schemes and projects through financial assistance to economically weaker sections. It has started many nodal agencies to serve people at various part of country through education and training programs.

ICICI bank on the other hand, amalgamated to start as a private entity has clear vision to profitability and serve its shareholders interest. The bank has agenda to carryout its business taking its shareholders and promoters in to confidence. Though bank has active participation in various social inclusion policies run by government time to time, its is still not up to its potential.

Answering to the questions raised in Hypothesis we have drawn, we can test and conclude each point based on our study

1. **Banks responses to new banking reforms have been positive**

Analysing to the points referred in the earlier chapters on the banks response to Liberalisation since 1991, the progress card of each banking group is positive. The key indicators to check the growth due to liberalisation have shown positive results. There are jobs created, revenue increased, FDI increased, Bank branch penetration went almost 2500% up, both public sector and private sector banks have grown substantially to have neck-to-neck competition among them.
Even in Karnataka, the banking sector has grown to an extent of 1200% since liberalisation. Banking sector response to liberalisation is positive through its transformation into adoption of new technologies to serve customers better. So, we may conclude this hypothesis is correct as per growth trajectory of banking sector in India post liberalisation.

2. **Public sector banks responses are in consonance with global banks**

Responses of public sector banks after liberalisation have an evidence to its modified way of approach to business, in terms of adoption of new technologies, rationalizing its resources in consideration of technology are in line with global players. The directions on these fronts were never seen before by public sector banks in India. The jolt given by financial liberalisation has made significant effect to its operations and future planning. Public sector banks were never bothered on customer centricity, value additions and innovations. The thought process thus has changed since liberalisation which has directly brought global perspectives in India. The comparison of these standards against Indian way of doing business in banking sector was made easy. Customers who were loyal to public sector banks are now switchover to new global players who offer drastic changes to the way they manage their business in banks. The churn is so easy that customers are actually are king now. Public sector banks had no choice to adopt and embrace the change, by imitating to its global competitors. The chapters have dealt and analysed these changes made by public sector banks in India. At present, the distinction in service standards are almost same in both public and private sector banks. The gradual improvements and adoption to changes have made public sector banks emerge as strong competitors among banks in India and also for global players.

3. **Public sector banks are bound by polices of RBI**

Various polices and initiatives of governments time-to-time have made obligations for all banks under sector in India to follow the guidelines of central bank. Central bank has introduced various policies to address developmental agenda have an obligatory principle on all banks of India. The RBI guidelines are bound more on public sector banks than private sector banks. As we seen in case of implementation of social policies in India, the
intentions of private banks are not matching to the expectations of the government. However, the private banks are not obligated to implement and follow most of the policies of RBI. It has profit orientation as its principle agenda, can choose not to follow certain policies which may affect the profitability and sustainability. But the obligations to follow the policies of RBI is more on public sector banks. The implementation of social polices we studied in previous chapters highlights the involvement of bank in following the rules set by RBI. The sample data we have collected for Mysore district in Karnataka on various social development schemes and implementation has shown clearly the contributions of public sector banks and its intentions to follow the RBI guidelines.

4. **New public policy measures have encouraged intra sectoral competition**

There has been a competition among banks in India since liberalisation to reach to the top position in market share. Service quality, wide spread of business solutions is new trend from banks in India. Various techniques are being used to measure the effectiveness was mentioned in the previous chapters. These techniques are actually the standards for global banks which are taken to measure Indian banks. State Bank of Mysore trying to remain as government bank, still facing serve competition among Public and private sector banks. Interms of operation reach, technology, e-governance they have severe competition. New public policy brining in global perspectives to banking sector has given tremendous impetus to banking sector to think globally. The policy measures of government have slowly faded away the demarcation of Indian origin banksand foreign banks. There is an alignment from Indian banking sector to global banks in operation level, service standards, technological orientation etc. This has made all banks in India to come to one single platform to operate. So there is intra sectoral competition which is evident among banks in India.

5. **Private sector banks are lacking in social responsibility**

Largely, the motives of private sector banks are to maximise profitability. Private sector banks in comparison with public sector banks have seldom obligations on social responsibility. However, CSR has become an obligation rather than a motive for private banks. Private banks having their immense potential and financial stability to do lot more than public sector banks towards social responsibility are still shying away to involve themselves and are still not doing much towards social responsibility.