FINDINGS, CONCLUSIONS AND SUGGESTIONS

10.1 Study in retrospect

Indian banking sector has witnessed structural changes since the liberalisation of the economy. Prior to the reforms, the banking sector had been controlled by the public sector banks in all aspects, and featured with inefficiency, low productivity, poor customer service and product, and bank-centered business. The entry of new banks totally changed the face of the sector with modern orientation and technology-based business, customer-focused service and global standards. This caused much worry to the public sector banks and their share is still being eaten up by the new banks though they are few in number.

Against this backdrop, the present study is a pioneer one, aimed at evaluating and comparing the performance and customer satisfaction of public
sector banks and new generation private sector banks in the post-liberalisation era. Totally, eight major parameters are selected for studying the overall performance of banks, viz., capital adequacy, asset quality, managerial efficiency, earnings quality, liquidity, growth performance, social banking performance, and customer satisfaction. Performance analysis based on the average of the ratios for the study period, bank-wise, bank group-wise (SBG, ONB and NGPB), and bank sector-wise has been done. The best performer in each ratio is found out on the basis of the size of the average ratio. The differences in each indicator and the degree of variation, both ratio-wise and overall, among banks, bank groups and sectors are analysed by using multivariate analysis of co-variance (MANCOVA). Ten indicators are selected to assess the level of customer satisfaction.

For assessing the overall performance of banks, all the eight indicators are grouped under three heads, such as financial health and soundness (FH), efficiency (E) and social banking (S). A model named FHES is developed by the researcher and on the basis of the FHES score, banks are rated and the best performer is identified. Before proceeding to the results of the analysis and findings, it will be appropriate to restate the objectives of the study.

10.2 Objectives of the Study

The objectives of the study are the following:

1) To review the general profile of Indian banking industry,

2) To appraise the performance of selected banks, bank groups and the two sectors of banks viz., public sector banks and new generation private sector banks, in relation to capital adequacy, asset quality, managerial efficiency, earnings quality, liquidity, growth and social banking;
3) To make a comparative analysis of the performance of selected banks, individually, group-wise and sector-wise, in all the major indicators such as capital adequacy, asset quality, managerial efficiency, earnings quality, liquidity, growth and social banking;

4) To examine the most important factors considered by the customers while taking loans from banks and the selection of banks for opening accounts;

5) To evaluate and compare the level of satisfaction of customers of selected banks, bank groups and bank sector in the selected ten dimensions;

6) To assess and compare the overall performance of selected banks in relation to financial health, efficiency and social banking (FHES).

7) To put forward some concrete suggestions to make the performance of banks more effective and efficient.

Based on the objectives of the study, the following hypotheses were formulated and tested. Suitable sub-hypotheses were also formulated and tested and the results are depicted in Tables.

10.3 Hypotheses

10.3.1 Financial Performance

H1: There is no significant difference in the means of capital adequacy ratios between banks, bank groups and bank sectors, after controlling for possible variations due to time.

H2: There is no significant difference in the means of asset quality ratios between banks, bank groups and bank sectors, after controlling for possible variations due to time.
H3: There is no significant difference in the means of managerial efficiency ratios between banks, bank groups and bank sectors, after controlling for possible variations due to time.

H4: There is no significant difference in the means of earnings quality ratios between banks, bank groups and bank sectors, after controlling for possible variations due to time.

H5: There is no significant difference in the means of liquidity ratios between banks, bank groups and bank sectors, after controlling for possible variations due to time.

H6: There is no significant difference in growth performance ratios between banks, bank groups and bank sectors after controlling for possible variations due to time.

H7: There is no significant difference in the social banking performance ratios between banks, bank groups and bank sectors after controlling for possible variations due to time.

10.3.2 Customer Service and Satisfaction

H8: There is no significant difference in the preference given by customers of the three bank groups while opening accounts with a bank.

H9: There is no significant difference among the customers of the three bank groups relating to various aspects considered while taking loans from a bank.

H10: There is no degree of association between the type of bank and the switching over of loan from one bank to another bank by the borrowers.
**Findings, Conclusions and Suggestions**

**H11:** There is no significant difference in the satisfaction levels of customers of the three bank groups, SBG, ONB and NGPB, and among the two sectors, viz., PSB and NGPB, in the indicators shown below.

a) Upkeep of premises and infrastructural facilities,
b) Staff attitude and behaviour
c) Credit services,
d) Speed,
e) Charges,
f) Technology-based services,
g) Services and products,
h) Customer awareness and education,
i) Customer feedback system, and
j) Customer grievances redress mechanism.

**H12:** There is no significant difference in the overall satisfaction level between urban customers and semi-urban customers of all the bank groups, relating to all the service indicators considered in the study.

**H13:** There is no significant difference in the overall satisfaction level between the customers of public sector banks and new generation private sector banks.

**10.4 Findings of the Study**

The following findings emerge from the evaluation of the performance of eight banks, 6 selected from the public sector and two from the new generation private sector, based on the data pertaining to the ten-year period from 2000-01 to 2009-10.
10.4.1 Financial health and soundness of banks

Performance in four parameters, viz., capital adequacy, asset quality, liquidity and growth, is considered, under this head.

10.4.1.1 Capital Adequacy

The capital adequacy position of all the selected banks is better over the period of study and all banks have CRAR above the rate stipulated by the RBI. With regard to the performance in each ratio, the first position is occupied by HDFC Bank Ltd in CRAR and Tier I CRAR, CB in Tier II CRAR, SBT in debt-equity ratio, advances to assets ratio, and investment in Govt. securities to total investments ratio. Bank group-wise analysis shows that NGPB is the best performer in CRAR and Tier I CRAR, ONB in Tier II CRAR and advances to assets ratio, and SBG in debt-equity ratio, and investment in govt. securities to total investments ratios. The bank sector-wise performance reveals that new generation private sector banks performed better in CRAR and Tier I CRAR and PSB in Tier II CRAR, debt-equity ratio, advances to assets ratio and investment in Government securities to total investments ratio.

Regarding significance of the difference in the performance of banks in capital adequacy ratios, firstly, variations in ratios among banks, bank groups and sectors have been ascertained. The results show that there is significant difference in the overall capital adequacy position among banks, bank groups and between PSB and NGPB, due to time and after controlling for possible differences due to trend over time. The variations in all the capital adequacy ratios due to time, after controlling for possible trends over time among banks, bank groups and bank sectors, are highly significant. Due to time, advances to assets ratio seems to vary more whereas investment in Govt. securities to total
investments ratios seems to vary more among banks, bank groups and sectors, after controlling for possible trends over time.

There is significant difference in the overall capital adequacy position, i.e., considering performance in all the ratios of SBG and ONB, compared with those of NGPB. Considering each ratio between the bank groups, the difference is found highly significant in all capital adequacy ratios except debt-equity ratio.

While comparing PSB and NGPB, the difference in capital adequacy ratios after controlling for possible variations due to time and the inter-sector difference in all the ratios except debt-equity ratio are highly significant.

In the overall capital adequacy performance based on the ranks in each ratio, SBT is the best bank followed by PNB. The performance of banks in all ratios significantly differs, whereas no difference is found in the debt-equity ratios among banks, bank groups and bank sectors. The NGPB group has higher capital adequacy ratios but the PSB group is more able to attract funds into the bank, mainly in deposits, more aggressive in making advances and investing funds in the less risky, return-guaranteed and most liquid opportunities, namely Government securities.

10.4.1.2 Asset Quality Performance

Quality of assets is a major concern of banks all over the world, especially in the event of the recent financial crisis which led to the closing down of giant banks in U.S and European countries. All the selected banks have improved their overall asset quality position. Considering performance in each ratio, the best performer regard to the ratios of NNPA to TA and provisions and contingencies to total assets, is ICICI Bank Ltd, in the NNPA to
Net advances, and total investments to total assets ratios HDFC Bank Ltd; percentage change in Net NPA, it is SBT. Public sector banks took much effort in reducing their NPA during the study period and achieved great success in this attempt. The bank group-wise analysis shows that NGPB is the best performer in NNPA to TA, NNPA to NA and Provisions and contingencies to total assets ratios, and SBG in TI to TA and percentage change in NPA. The bank sector-wise performance reveals that new generation private sector banks have performed better in all the ratios except change in Net NPA.

Regarding significance of the difference in the overall asset quality performance among banks, bank groups and bank sectors (between PSB and NGPB), due to time and after controlling for possible trends over time, the results show that the difference is highly significant. The variations in asset quality ratios individually due to time and after controlling for possible trends over time among banks, bank groups and bank sectors are highly significant. Due to time, the total investments to total assets ratio seems to change more, followed by NNPA to Net advances ratio among banks. After controlling for possible trend over time, more variation among banks is found in the total investments to total assets ratio, followed by change in NPA. This shows that there is difference in the investment policy between banks and in the efforts taken to reduce NPA.

Among bank groups, as time factor is considered, TI to TA ratio, and NNPA to Net advances ratio vary more. But, after controlling the variations due to time, the percentage change in NPA, followed by TI to TA ratio, varies more. In both the above cases, variation is little in the provisions and contingencies to total assets ratio.
There is significant difference in all the asset quality ratios except TI to TA and provisions and contingencies to TA ratios, between SBG and NGPB. Between ONB and NGPB, the difference is significant in the ratio of NNPA to TA, NNPA to NA and TI to TA. The difference in the overall asset quality position of the three bank groups, SBG and ONB compared with NGPB, is highly significant.

While comparing PSB and NGPB to find out the difference in asset quality ratios individually due to time and after controlling for possible variations due to time, the difference is found significant in NNPA to TA and NNPA to NA and TI to TA ratios. In both the cases, the variation is the highest in NNPA to TA ratio and the lowest in the ratio of provisions and contingencies to TA. The overall asset quality performances of PSB and NGPB significantly differ, whereas no difference is found in the ratio of provisions and contingencies to total assets.

In the overall asset quality performance based on the ranks in each ratio, ICICI Bank Ltd is the best bank, followed by HDFC Bank Ltd and Canara Bank. The performance of Bank of India is very poor. In a nutshell, the asset quality performance of all banks is highly satisfactory, especially in the events of global financial turmoil and decrease in the NPA ratios, it is the signal of the financial soundness of Indian banking sector. The performance of banks in all ratios significantly differs, whereas no difference is found in the ratio of provisions and contingencies to total assets among banks groups and bank sectors. The asset quality position of NGPB is better than that of PSB whereas the PSB group is not far behind them.
10.4.1.3 Liquidity Position

Liquidity ratios give us a picture of the financial capability of a bank, to meet the requirements for money as and when they occur. Good position increases the reputation of the bank, builds confidence among the depositors, and saves the bank from worries. The liquidity position of all the selected banks was satisfactory. Considering performance in each ratio, ICICI Bank Ltd. is the best performer in the ratio of LA to Demand and Savings deposits and SBI in the ratio of LA to TD; SBT is the best performer in the ratio of investment in Government securities to TA and PNB in the ratio of investments in approved securities to TA. Bank group-wise analysis shows that NGPB is the best performer in the ratios of LA to demand and savings deposits and LA to TD, SBG in the ratio of investment in government securities to total assets, and ONB in the ratio of investment in approved securities to TA. The bank sector-wise performance reveals that NGPB performed better in LA to Demand and savings deposits, and LA to TD ratios and PSB in the ratios of investment in government securities to TA and investment in approved securities to TA.

The differences in the overall liquidity performance among banks, bank groups and bank sectors due to time and after controlling for possible trends over time, are highly significant. Considering the differences in the ratios individually, the differences in all the ratios among banks, bank groups and bank sectors are also significant due to time factor and after controlling for possible variations due to trend over time. There is considerable difference in the liquidity performance between banks, bank groups and sectors. As the degree of variation in each ratio is studied, the ratio of investments in approved securities to TA seems to vary more due to time and that of investments in G-sec to TA among banks after controlling for possible trends due to time.
Liquidity ratios differ significantly between bank groups and the variation is more in the ratio of investments in approved securities to TA, due to time and investments in Government securities to total assets after controlling for possible trends due to time. The variation is the least in the ratio of LA to DD and SD in both cases.

The inter-group difference, i.e., SBG and ONB compared with NGPB, is significant. Between SBG and NGPB, there is no difference in the ratio of LA to TD, and between ONB and NGPB, no difference is found in the ratio of LA to TD and investments in G-sec to TA. There is significant difference in all other ratios.

While comparing PSB with NGPB, there is difference in the liquidity performance of banks due to time and after controlling for possible trends due to time. As the time factor is considered, the ratio of investment in approved securities to TA varies more, and between PSB and NGPB, after controlling the effect of time, investments in G-sec to TA vary more. Inter-sector comparison results make it clear that the difference in overall liquidity performance and ratio-wise performance between PSB and NGPB are highly significant.

Again, on the basis of the overall liquidity position, SBI has the best position, followed by BOB. Finally, the liquidity performance of all banks, bank groups and bank sectors differs. The liquidity position of PSB is better than that of NGPB. The pattern of investments of funds in various opportunities by the two sectors is also different.

10.4.1.4 Growth Performance

The growth performance of selected banks, which are the giant ones in their group, reveals the prospects of banks and the banking industry in India.
Growth rates in six indicators, namely, deposits, advances, investments, equity, business and total assets were considered in the study. Performance in growth indicators shows that ICICI Bank Ltd has the highest growth rate in deposits, advances, investments, equity and total assets, followed by HDFC Bank Ltd. Regarding growth in business, HDFC Bank Ltd. is the best performer, followed by ICICI Bank Ltd. In growth performance, NGPB is the best group and the best sector.

Regarding significance of difference among banks, time has no influence on the growth rates. The results show that there is no significant difference in growth rates between banks, bank groups and the two bank sectors, due to time, whereas the difference in growth rates is highly significant between banks, bank groups and bank sectors after controlling for possible differences due to trend over time.

Considering the variations in the growth rates of various indicators individually, due to time, the difference is not significant. After controlling for possible trends due to time between banks, there is significant variation in the growth rates of all the indicators and the variation is more in the case of deposits.

Among bank groups, as time factor is considered, difference in growth rates is insignificant. But after controlling for possible variations due to time, difference between bank groups is significant and is high in deposits, followed by equity. Between bank groups, the difference in growth rates is highly relevant. As SBG and ONB are compared with NGPB, there is significant difference in all the indicators.

Bank sector-wise comparison shows that the difference between PSB and NGPB due to time is insignificant and after controlling for possible
variations due to time, the difference is significant. Considering the ratios separately, after controlling for possible variations due to time, the difference in growth rates is significant. The MANCOVA test results have proved that the growth performance of PSB and NGPB differs significantly.

In terms of the overall growth performance based on the ranks in each ratio, ICICI Bank Ltd is the best bank, followed by HDFC Bank Ltd. The performance of SBI is poor, among the selected banks. In short, all banks have shown excellent growth rates but the performance of NGPB is better. There is difference in growth performance between banks, bank groups and bank sectors.

10.4.2 Managerial Efficiency and earnings quality of banks

Managerial efficiency, Earnings quality and Customer satisfaction are included here.

10.4.2.1 Managerial Efficiency

Efficiency of the management is one of the crucial factors which determine the success of a bank. Under this head, managerial competency, employee productivity, branch level productivity and operating efficiency were studied.

10.4.2.1.1 Managerial competency

Considering CD ratio and ROE used to test the competence of the management, ICICI Bank Ltd is the best performer in CDR followed by BOI and SBT in terms of ROE, followed by CB. While taking these two ratios together, SBT is focused to be the best bank, followed by CB. The NGPB set is the best performer, both group-wise and sector-wise in CDR. In terms of ROE, SBG is the best group and PSB is the best sector.
10.4.2.1.2 Employee productivity and Branch level productivity

Regarding both employee productivity (BPE and PPE) and branch level productivity (PPB and BPB), ICICI Bank Ltd is the best bank, followed by HDFC Bank Ltd, and NGPB is the best group and best sector. The performance of public sector banks is very poor compared with that of NGPB.

10.4.2.1.3 Operational efficiency

SBT is the best performer, followed by ICICI Bank Ltd and CB, in the ratio of OE to TE, and in the ratio of WB to TE, ICICI Bank Ltd is the best bank, followed by HDFC Bank Ltd. Taking the two indicators together, ICICI Bank Ltd is the best bank followed by HDFC Bank Ltd. In OE to TE ratio, the best group is SBG and sector is NGPB, and in WB to TE ratio NGPB is the best group and best sector.

As the difference in the managerial efficiency ratios due to time and after controlling for possible trends due to time is considered, there is significant difference in the overall performance between banks, bank groups and bank sectors.

Considering the variations in managerial efficiency ratios individually, due to time, there is significant difference in CDR, PPE, BPE, WB to TE ratio, PPB and BPB and no significant difference in ROE and OE to TE ratio. Among these, BPE seems to change more. But, regarding the degree of variations among banks after controlling for possible trends over time, there is significant difference in all the ratios. There is high degree of variation in all the ratios and is high in CDR, followed by OE to TE ratio. Differences in ratios due to time and after controlling for possible variations due to trend over time are highly significant among bank groups. While individually considering the ratios, there is no significant difference in ROE and OE to TE ratio and in all other ratios the difference is found
significant. Due to time, the difference is high in BPE and among bank groups after controlling time the CD ratio seems to vary more.

There is significant difference in all the ratios between SBG and NGPB and between ONB and NGPB, the difference is not significant in the ratios of ROE and OE to TE. The difference in the overall managerial position of the three bank groups is highly significant when SBG and ONB are compared with NGPB.

While comparing PSB and NGPB to find out the difference in managerial efficiency ratios individually, due to time, the difference is significant in all ratios except ROE and OE to TE. The degree of variation is more in PPE and BPE. After controlling for possible variations due to time, the differences in all the indicators are highly significant. The degree of variation is more in CDR and WB to TE ratio and the least in PPB. The overall managerial efficiency performance of PSB and NGPB differs significantly.

In the overall managerial efficiency performance based on the ranks in each ratio, ICICI Bank Ltd is the best bank; followed by Canara Bank. PNB has the lowest rank.

10.4.2.2 Earnings Quality Performance

Earnings quality and profitability are important for both owners and customers of banks. Earnings quality performance is assessed in three dimensions, such as operational performance, profitability and source of earnings.

10.4.2.2.1 Operational performance

HDFC Bank Ltd is the best performer, followed by PNB in the ratio of OP to WF. In the ratio of OE to TI, SBT performs best, followed by CB. ICICI
Bank Ltd comes first in the ratio of Burden to II followed by CB. So, in operational performance, CB and SBT are the best banks followed by ICICI Bank Ltd and BOI. NGPB is the best group and sector in the ratios of OP to WF and B to II. In the ratio of OE to TI, ONB is the best group and PSB is the best sector.

10.4.2.2 Profitability

ROA, NIM (spread to total assets) and growth in net profit are considered to assess the profitability position of banks. In terms of ROA and NIM, HDFC Bank Ltd is the best bank, followed by BOB and PNB respectively. Regarding growth in net profit, ICICI Bank Ltd showed the best performance, followed by BOI. Regarding performance in all the profitability ratios, the best group and sector is NGPB. In overall profitability performance, the best bank is HDFC Bank Ltd followed by SBT, BOB and ICICI Bank Ltd.

10.4.2.3 Source of earnings

In the ratio of II to WF, SBT is the best bank followed by PNB; SBG is the best group and PSB is the best sector. In the ratio of NII to TI, ICICI Bank Ltd is the best bank, followed by HDFC Bank Ltd, and NGPB is the best group and sector. Considering the two ratios together, ICICI Bank Ltd is the best bank, followed by PNB and SBT.

As the difference in the earnings quality ratios due to time and after controlling for possible trend due to time is considered, there is significant difference in the overall performance between banks, bank groups and bank sectors.

Considering the variations in earnings quality ratios individually, due to time, the variations in two ratios, viz., ROA and II to WF are significant.
The difference is not significant in other ratios. Among these, ROA seems to vary more. But based on taking the degree of variations in ratios among banks after controlling for possible trends over time, there is significant difference and high degree of variation in all the ratios. The ratio of II to WF varies more, followed by NIM.

Due to time and after controlling for variations due to trend over time, the differences in the earnings quality ratios are highly significant among bank groups. While individually considering the ratios, the difference in ROA, II to WF and NIM are found highly significant. The difference in other ratios is insignificant. Due to time, the ratio of II to WF seems to vary more. After controlling for possible variations due to time, the differences in all the ratios are found highly significant among bank groups. The ratio of II to WF followed by NIM seems to change more among bank groups.

As SBG and ONB are compared with NGPB, there is significant difference in the ratios of OP to WF, ROA, OE to TI, NII to TI and B to II. There is no difference in the performance of GINP, ROA and NIM. Again, the difference in overall earnings quality performance of the three bank groups (SBG and ONB compared with NGPB) is highly significant.

While comparing PSB and NGPB to find out the difference in earnings quality ratios individually due to time, the difference is found highly significant in the ratio of ROA; II to WF and B to II ratios and the degree of variation is more in the ratio of II to WF. After controlling for possible variations due to time, there is significant difference in all the ratios. The degree of variation is more in the ratios of II to WF and OE to TI, and the least in percentage growth in net profit. The inter-sector comparison makes it clear that the difference is
relevant in the ratios of OP to WF, NIM, ROA, OE to TI, NII to TI and B to II. The overall performance of PSB and NGPB differs significantly.

In the overall earnings quality performance based on the ranks in each ratio, HDFC Bank Ltd is the best bank, followed by SBT. SBI has the lowest rank.

10.4.3 Social Banking Performance

Profit making is not the sole objective of banks. They should address the needs of the priority sector also. To measure the role of banks in the development of the rural areas and the priority sectors, three ratios were used, viz., share of rural and semi-urban branches to total branches, PSA to total advances, and growth in PSA.

Regarding the ratios of RASU to TB, SBT is the best bank, followed by SBI. SBG is the best group and PSB is the best sector. In terms of the ratio of PSA to Total advances, PNB is the best bank, followed by SBT. SBG is the best group and PSB is the best sector. As growth rate in PSA is considered, ICICI Bank Ltd is the best bank, and NGPB is the best group and the best sector.

As the difference in the social commitment ratios due to time and after controlling for possible trends over time is considered, there is significant difference in the overall performance between banks, bank groups and bank sectors.

Considering the variations in social commitment ratios individually due to time, the variations in two ratios, viz., RASU to TB and PSA to Total advances are highly significant. The difference in growth in PSA is not significant. Among these the ratio of PSA to Total advances seems to vary more. But, taking the difference in ratios among banks after controlling for
possible trend over time, there is significant difference in all the ratios. There is a high degree of variation in all the ratios, and it is the highest in the ratio of RASU to TB.

Due to time and after controlling for possible variations due to trend over time, the differences in social commitment ratios are highly significant among bank groups. While individually considering the ratios, the differences in those of RASU to TB and PSA to Total advances are highly significant. Due to time, the ratio of PSA to TA ratio changes more. After controlling for possible variations due to trend over time, the differences in all the ratios among bank groups are highly significant. The ratio of RASU to TB, followed by that of PSA to Total advances, seems to change more among bank groups.

As SBG and ONB are compared with NGPB, there is significant difference in all the ratios. Again, the difference in the social banking performance of the three bank groups (SBG and ONB compared with NGPB) is highly significant.

While comparing PSB and NGPB to find out the difference in social banking performance due to time and among the two sectors after controlling for possible trends over time, the difference is found highly significant. Considering the difference in ratios separately due to time, the changes in the ratios of RASU to TB and PSA to Total advances are highly significant. It is not relevant in the growth rate in PSA.

After controlling for possible variations due to time, the difference is significant in all the ratios among PSB and NGPB. The degree of variation is more in the ratio of RASU to TB and the least in percentage growth in PSA. The inter-sector comparison makes it clear that the difference in all the ratios is
relevant and the overall social banking performance between PSB and NGPB differs significantly.

In the overall performance based on the ranks in each ratio, PNB is the best bank, followed by SBT. BOI has the lowest rank. The performance of NGPB is not satisfactory in this regard.

10.4.4 Customer Service and Satisfaction

A total of 648 samples were selected by giving equal representation to the Urban and Semi-Urban areas. Out of the 648 sample respondents, 432 were taken from the public sector banks consisting of 216 from State Bank group (SBG) and other nationalised banks (ONB), and 216 from the new generation private sector banks.

10.4.4.1 Demographic profile of respondents and preference for bank groups

a) **Type of bank and Age of respondents**: Majority of the respondents belong to the youth category (i.e., in the age group of 20-40). They were found to prefer NGPB, and the middle-aged group, ONB and SBG. There is a high degree of association between the type of bank and the age of respondents.

b) **Type of bank and Gender**: The majority of the respondents were males and they gave equal preference to all bank groups. The majority of the female customers did their banking business with ONB group.

c) **Type of bank and Education status**: A majority of the respondents of all bank groups were found highly qualified; the graduates and professionals did prefer NGPB, post-graduates and school education group did prefer SBG, and low education category, ONB. There is high degree of association between type of bank and educational status of the respondents.
d) **Type of bank and Occupation:** Based on the occupation status of respondents, the employed group was the largest followed by businessmen. Businessmen were interested in opening accounts with NGPB, whereas the employed group did prefer SBG. Professionals, farmers and housewives were found to prefer ONB. There is a high degree of association between the type of bank and the occupational status of respondents, as the Pearson Chi-square value is 38.611 with df 8 and P value of 0.000.

e) **Type of bank and Monthly income:** Respondents belonging to different monthly income levels gave almost equal preference to the three bank groups, and there is no degree of association between the monthly incomes of respondents and their selection of banks.

### 10.4.4.2 Demographic status of respondents, Preference for bank groups and Length of relationship with the favourite bank

a) **Location of the bank and Length of relationship with the favourite bank:**
A majority of the respondents were found to have a relationship with their banks for less than five years, followed by those having a relationship of 5-10 years. There is no difference among the urban and semi-urban customers, relating to length of relationship with the bank.

b) **Type of bank and Length of relationship with the favourite bank:**
Respondents who maintained a relationship for less than 10 years were found to prefer NGPB, and those having length of relationship for more than 10 years did prefer SBG and ONB equally. Type of bank, location of the bank and length of relationship with the favourite bank is not closely associated in the case of SBG, whereas they are closely associated in the case of ONB and NGPB.
c) **Type of bank, Age and Length of relationship with the favourite bank:** Of the customers of SBG and ONB belonging to the middle-aged groups of 40-50 and 50-60, the aged group maintained longer relationship with their favourite bank, i.e., for more than 10 years. Irrespective of the age groups, the majority of the respondents of NGPB maintained only short-term relationship with their favourite bank. There is shift of customers from other banks to the new generation private sector banks. The age of respondents, length of relationship with the favourite bank and type of bank are closely associated in the case of SBG, ONB and NGPB.

d) **Type of bank, Gender and Length of relationship with the bank:**
Gender, length of relationship with the favourite bank and type of bank, in the case of ONB, are closely associated, in SBG and NGPB, they are not closely related.

e) **Type of bank, Education status, length of relationship with the bank:** There is high degree of association between education status, length of relationship with their favourite bank and type of bank in the case of ONB and NGPB, while in SBG it is not relevant.

f) **Type of bank, Occupation and Length of relationship with the favourite bank:** Type of bank, Occupation and Length of relationship with the favourite bank are closely associated in the case of ONB only.

g) **Type of bank, Monthly income, Length of relationship:** The degree of association between monthly income, length of relationship with the bank and type of bank in ONB and NGPB is highly significant, whereas in SBG it is not closely associated.
h) **Respondents having banking activities with banks other than their favourite bank**

Most of the respondents maintained accounts with banks other than their favourite banks. A majority of the respondents having accounts with more than one bank were found to prefer public sector banks as their second favourite bank. Customers did prefer different banks for meeting their varying needs. Customers were not fully satisfied with the services and facilities provided by their favourite bank. This is a clear signal to all the banks that satisfying the needs of customers is a must for the retention of the existing customers. Otherwise, they may shift their accounts from one bank to another, peculiarly in the era of stiff competition.

**10.4.4.3 Factors influencing the respondents most while selecting their favourite bank**

The factors influencing the respondents most while selecting their favourite banks were in the order of: location advantage, better image of the bank, professional requirement, branch network, good dealings and better service, and finally business hours. The customers of SBG and ONB gave prime importance to location advantage, whereas NGB customers were mostly influenced by good dealings, better service and reliability. Multidimensional scaling (MDS) shows respondents agreement with the factors.

Customers of different bank groups were found to give importance to different factors. NGB customers gave more importance to business hours, professional requirements and good dealings, better service and reliability. ONB customers favour location advantage and better image, and SBG customers gave prime importance to branch network. The customers of NGB give more importance to professionalism and the customers of PSB to the
traditional factors. The factor considered most is professional requirement, followed by quality of service. Business hours and location advantage are factors next in importance. Better image of the bank comes next, followed by branch network.

10.4.4.4 Type of bank and the Purpose of opening an account with the bank

A majority of the respondents opened accounts with their banks for both saving purpose and loan purpose, followed by ‘saving purpose only’. The respondents were found to prefer different bank groups for different purposes, i.e., SBG for saving purpose, NGPB for loan purpose, ONB and SBG for both loan and saving purposes, NGPB for business purpose. The relationship between type of bank and purpose of opening an account with the bank are closely associated.

Type of bank, Saving purpose and Reason for selecting the bank:

Respondents who opened accounts for saving purpose chose their favourite bank for various reasons. Customers selected SBG for safety, ONB for image of the bank and liquidity, and NGPB for more return and good dealings and other factors. Type of bank, saving purpose and the reason for selecting a particular bank are closely associated.

Type of bank, Loan purpose and Type of loan availed

The majority of the respondents took housing loans followed by vehicle loan, business loan, agricultural loan, personal loan and education loan. The respondents approached different bank groups for different types of loans. It is notable that the majority of the respondents approached SBG for housing loan and NGPB for vehicle loan and personal loan, ONB for business loan and agricultural loan, SBG and ONB equally for education loan.
10.4.4.5 Aspects considered while obtaining loan from a bank

Respondents approached different banks for availing different types of loans, for various reasons. Several factors are considered by them while obtaining loan from a bank. Their first concern is the timely availability of loan, followed by simple procedure and then interest rates. Customers of all bank groups gave prime consideration to timely availability. SBG customers gave next consideration to interest rates and simple procedure, whereas customers of ONB and NGPB gave second consideration to simple procedure.

There is no significant difference in the opinions of respondents of the three bank groups relating to interest rates and simple procedure, whereas there is significant difference in security norms, level of loan amount, timely availability and government interaction and dealings by the officials.

There is no significant difference in the preferences given by the customers of SBG and ONB to interest rates, level of loan amount, simple procedure and govt. interaction. The difference is significant in security norms and timely availability. While comparing SBG with NGPB, there is difference in loan amount, timely availability and govt. interaction. The difference is significant in loan amount and govt. interaction, between ONB and NGPB.

10.4.4.6 Type of bank and Switching over of loan from one bank to another

Among the respondents who switched over the loan in their favourite bank to another bank, the majority were the customers of ONB and NGPB. There is high degree of association between type of bank and switching over of loan from one bank to another bank. The majority of them switched over their loans to PSB and the major reason was higher interest rates, followed by other reasons, mainly high penal interest for default.
10.4.4.7 Entry of NGPB and the Service of PSB

The majority of the respondents were of the opinion that the service of public sector banks had improved after the entry of the new generation private sector banks.

10.4.5 Customer Satisfaction

The quality of the service provided by the selected banks to their customers was assessed out with the aid of an interview schedule consisting of 46 questions that matter to the customer. The universe for the selection of branches for the collection of data on customer service is restricted to the State of Kerala. To study the customer satisfaction of the services rendered and facilities provided by the public sector banks and new generation private sector banks, eight banks were selected comprising two from State Bank group (SBG), four from other nationalised banks (ONB) and two from the new generation private sector banks (NGPB).

The questions relating to the opinions of the customers regarding the various services and facilities provided by the bank were arranged under ten major indicators on the basis of their nature. The opinion of customers under each indicator were analysed bank-wise, bank group-wise and bank sector-wise. Again, the overall satisfaction of customers of selected banks after considering all the indicators was analysed and compared.

a. Upkeep of premises and infrastructural facilities

The sub-parameters considered here are the arrangement of counters, waiting space, guidance signs, banking time and appearance of frontage and parking space. The ICICI Bank Ltd. stands top, followed by HDFC Bank Ltd. New generation banks are better in this regard. Bank group-wise analysis reveals that the customers of NGPB were more satisfied than those of SBG.
and ONB. SBG occupied the second position. The difference in the satisfaction levels of customers of different bank groups and the inter-group difference are highly significant. SBI from the SBG, BOI from ONB and ICICI Bank Ltd from NGPB provide better infrastructural facilities. Among the two sectors of banks, customers of NGPB are more satisfied than those of PSB.

b. Staff attitude and behaviour

The responses of customers with regard to the behaviour of the staff, punctuality and presence of the staff during working hours, readiness of the staff to listen to the problems of the customers, the efforts taken by them to minimize the waiting time, competency and knowledge of the staff, and sufficiency of staff in each branch, were collected under this indicator. Customers of HDFC Bank Ltd, followed by ICICI Bank Ltd., were satisfied more in this indicator. New generation banks are better in this regard. The bank group-wise analysis reveals that the customers of NGPB were found satisfied than those of SBG and ONB. ONB occupies the second position. The difference in the satisfaction levels of customers of different bank groups and the inter group difference are highly significant. The State Bank of India from SBG, Punjab National Bank from ONB, and HDFC Bank Ltd. from NGPB stood high, regarding the attitude and behaviour of the staff. From the bank sector-wise comparison, it is clear that the customers of NGPB are more satisfied than those of PSB.

c. Credit services

The opinions of customers relating to the procedural formalities in different banks for obtaining loans, sanctioning of required amount of loan, timely sanctioning and disbursement of loan, and lending services in general, were collected. Customers of HDFC Bank Ltd, followed by ICICI Bank Ltd.,
were found more satisfied in this indicator. New generation banks were better in this regard. Bank group-wise analysis reveals that the customers of NGPB were more satisfied than those of SBG and ONB. ONB occupies the second position. The difference in the satisfaction level of customers of different bank groups and the inter-group difference are highly significant. The State Bank of India from SBG, Canara Bank from ONB and HDFC Bank Ltd from NGPB provide better credit services. From the bank sector-wise comparison, it is clear that the customers of NGPB were more satisfied than those of PSB.

d. Speed in rendering various services

Speed in rendering transactions has much impact on customer satisfaction and so the responses of customers relating to this variable, such as payment of money, opening accounts, accepting of deposits, completion of pass book, collection of cheques, issue of DD and telegraphic transfer were collected and analysed.

HDFC Bank Ltd followed by ICICI Bank Ltd. rendered the services more speedily than other banks. Bank group-wise analysis reveals that the customers of NGPB were more satisfied than the customers of SBG and ONB. ONB occupies the second position. The difference in the satisfaction level of customers of different bank groups is highly significant. It is notable that the speed in providing services by SBG and ONB is the same whereas there is significant difference in this indicator between NGPB and the other two groups. The State Bank of India from SBG, among ONB Punjab National Bank from ONB and HDFC Bank Ltd. from NGPB provide speedy services. From the bank sector-wise comparison, it is clear that the customers of NGPB are more satisfied than those of PSB.
e. **Charges**

Customers need better service at the minimum cost. The amount charged from customers is a major determinant of customer satisfaction. The opinions of respondents relating to nine items, such as interest rate on loans, loan processing charges, penal charges, prepayment charges, equated monthly instalment and charges for core banking facility, net banking and fund transfer, DD commission, additional charges such as annual account maintenance, cash deposit etc. and cheque collection, were collected and analysed. Regarding charges, there is wide difference in the satisfaction levels of public sector banks and new generation private sector banks.

The customers of BOI, followed by CB, were found more satisfied. Bank group-wise analysis reveals that the customers of ONB are more satisfied than the customers of SBG and NGPB. SBG occupies the second position. There is difference in the satisfaction levels of customers of different bank groups. It is notable that the difference between SBG and ONB is insignificant, whereas the difference of SBG and ONB from NGPB is highly significant. The State Bank of India from SBG, BOI from ONB and, ICICI Bank Ltd. from NGPB charged less from their customers. Customers of PSB were found more satisfied than the customers of NGPB, relating to the charges imposed for rendering various services. The new generation banks exploited the customers heavily though high charges.

f. **Technology-based services**

Technology is essential for the smooth functioning, speedy transaction and better customer satisfaction. The opinions of customers regarding technology-based services such as credit card/ debit card, electronic fund transfer mechanisms, viz., SWIFT, RTGS, NEFT, Core Banking, Automated
Teller Machines (ATM) and the Efficiency in the use of technology by the banks were collected.

Customers of new generation private sector banks were found more satisfied with technology-based services than the customers of public sector banks. HDFC Bank Ltd followed by ICICI Bank Ltd provides better technology-aided services. Even though the public sector banks were following the traditional methods, they were not far below the NGPB in providing technology-based services. The performance of banks belonging to SBG was remarkable and on a par with that of score of the NGPB. SBT from SBG, PNB from ONB and HDFC from NGPB were the better performers in their groups. There is little difference in the mean score obtained by different bank groups with regard to the opinions about the technology-based services. Among the three bank groups, NGPB provide better services. The differences in the opinions of customers of the three bank groups were found significant. There is significant difference between SBG and ONB, and ONB and NGPB whereas the difference is not significant between SBG and NGPB. This shows that technology-aided services of SBG are on a par with the new tech-savvy banks and the competition is between SBG and NGPB. Customers of NGPB were found more satisfied than the customers of PSB relating to the technology-based services.

g. **Services and products**

Under this indicator, the opinions of customers regarding loan schemes, deposit schemes and other services of the bank were collected. HDFC Bank Ltd., followed by ICICI Bank Ltd, offered better products and services. NGPB is the best group and the best sector. SBI from the SBG, PNB from other nationalised banks (ONB), and HDFC from NGPB proved to be the best banks in their respective groups. The difference between bank groups is highly
significant. There is no significant variation in the opinions of customers of SBG and ONB whereas the differences in the opinions about the services and products offered by SBG and ONB, compared with NGPB are significant. Customers of NGPB are more satisfied with the products and services offered to them than the customers of PSB.

h. Customer awareness and education

The majority of the customers of banks are unaware of the schemes, products, rules and conditions and formalities to be followed in banks. So they must be educated. Regarding this indicator the researcher collected information about three aspects, namely, whether the bank informed the customer while introducing new products or services or other innovations in the banking sector, whether the bank gave proper advice to the customers while choosing loan schemes and deposit schemes, whether the customer awareness programmes of the bank were undertaken. Regarding customer awareness and education, ICICI Bank Ltd. occupied the prime position, followed by HDFC Bank Ltd. NGPB was found the best group followed by ONB.

SBT, PNB and ICICI Bank Ltd proved the best banks in their groups. There is significant difference between the bank groups. The variation between SBG and ONB, compared with NGPB, is significant, whereas there is no difference between SBG and ONB. The level of satisfaction of customers regarding the customer awareness and education programmes of NGPB is better than that of the customers of PSB.

i. Customer feedback system

Retaining existing customers is equally important, like getting a new customer. Banks should maintain contacts with the existing customers to know
about their expectations, worries and grievances. The responses of customers relating to the functioning of customer service committee, contact with customers by the bank staff through various means, and the relationship maintained by the banks with their customers, were collected. ICICI Bank Ltd, followed by HDFC Bank Ltd, had better customer feedback system than other banks. SBI, PNB and ICICI Bank Ltd are the best performers in their group. Customers of NGPB were found more satisfied than those of SBG and ONB. There is significant difference in the opinions of customers of different bank groups. The banks’ inter-group comparison results reveal that there is significant difference between all the three bank groups under study. NGPB is the best sector and there is wide variation in the mean scores of both the sectors.

j. Customer grievances redress mechanism

How the grievances of customers are handled is vital for building better relations with the customers and for boosting the reputation of the banks. The functioning of the grievances redress cell, dealing of complaints, and the speed in resolving various problems, was considered and the opinions of customers were collected. Canara Bank and PNB, followed by HDFC bank Ltd were better in handling the complaints of customers. The customers of NGPB were found more satisfied than the customers of SBG and ONB. The mechanism followed in banks in addressing the grievances of customers does not seen good because the mean scores are very low. The difference in the customer grievances redress mechanism in the three bank groups is significant.

Banks’ inter-group comparison reveals that there is significant difference between SBG as well as ONB and NGPB, and the difference is not significant between ONB and NGPB. Customers of NGPB are more satisfied than the customers of PSB.
10.4.6 Purpose of opening an account with the bank and Customer satisfaction

Irrespective of the type of accounts opened with their favourite banks, the difference in the opinions of customers of the three bank groups relating to credit services, charges and customer grievances redress mechanism are highly significant and it is not significant in other indicators. The Inter-purpose comparison in various indicators shows that the difference is not significant in the upkeep of premises, staff attitude, services/products and customer feedback system.

Type of bank (SBG, ONB AND NGPB), Purpose of opening an account with the bank and Customer satisfaction

The results drawn from the responses of the customers show that there is significant difference in the level of satisfaction of customers who opened accounts for different purposes in the three bank groups, relating to the upkeep of premises and infrastructural facilities, attitude and behaviour of the staff and customer grievances redress mechanism.

10.4.7 Location-wise analysis

Among the total 648 respondents, 324 each were selected from the urban area and semi-urban area. From their responses, it is evident that the mean scores in all the ten indicators of the customers in urban area are higher than those of the same in semi-urban area. Therefore the urban customers are more satisfied than the semi-urban customers in all the ten customer satisfaction indicators. Again, looking at the overall customer satisfaction level, urban customers are more satisfied than the semi-urban customers. This indirectly shows that banks render better services and give more attention in urban areas. There is significant difference in the opinions of urban customers and the semi-urban customers relating to speed in rendering various services and
providing customer awareness and education. In all other indicators the satisfaction level of both the types of customers are found the same. This implies that banks provide speedy service and do better marketing of their products in urban areas. In terms of overall satisfaction among urban customers and semi-urban customers, there is significant difference in the satisfaction level, and the urban customers are more satisfied than the semi-urban customers.

10.4.8 Overall customer satisfaction

Overall customer satisfaction refers to the level of satisfaction derived by the customers from all the forty-six service factors, each carrying a maximum of 5 points (for highly satisfied) arranged under the ten service indicators considered in the study. The opinions of the customers of all the banks were collected separately and analysed bank-wise, group-wise and sector-wise.

Bank-wise overall customer satisfaction was measured on the basis of the total score obtained by the banks for all the ten indicators. In terms of overall customer satisfaction, HDFC Bank Ltd. proved the best bank, followed by ICICI Bank Ltd. Considering each indicator separately, the best banks were:

a) Upkeep of premises and infrastructural facilities, Customer awareness and education and Customer feedback system – ICICI Bank Ltd

b) Staff attitude and behaviour, credit services, speed, technology-based services and services & products- HDFC Bank Ltd.

c) Charges – BOI

d) Customer grievances redress mechanism- CB and PNB
The best banks relating to overall customer satisfaction in each group are:

Among the State Bank group (SBG) – SBI
Among other nationalised banks (ONB) – Punjab National Bank and
Among the new generation private sector banks group- HDFC Bank Ltd

The best group in terms of overall customer satisfaction is NGPB, followed by ONB. The differences in the levels of satisfaction of customers of the three bank groups SBG, ONB and NGPB, are highly significant. There is significant difference in the overall satisfaction of customers of SBG and ONB compared with NGPB, whereas the difference is not significant between SBG and ONB.

Bank sector-wise analysis of the satisfaction levels of customers of public sector banks and new generation private sector banks shows that the customers of NGPB are more satisfied than the customers of PSB. Again, the overall satisfaction levels of the customers of PSB and NGPB significantly differ.

10.5 Overall performance of banks under FHES Model

An attempt is made to evaluate the overall performance of selected banks using the overall evaluation model developed by the researcher, known as FHES Model (Financial Health and Soundness-Efficiency and Social Banking Performance Model) by incorporating all the major indicators. The performance is analysed under three heads.

10.5.1 Financial health and Soundness

Performance in financial health and soundness is the aggregate of capital adequacy, asset quality, growth and liquidity performance. The financial health and soundness of ICICI Bank Ltd is better than that of all other banks, followed
The position of all the public sector banks, irrespective of the group to which they belong, is more or less the same except Bank of India (BOI). BOI is placed in the last position among the eight banks. This is mainly due to their poor performance in Asset quality and Liquidity. Among SBG, the best bank is SBT, from ONB- PNB and from NGPB- ICICI Bank Ltd.

10.5.2 Efficiency of banks

The efficiency of banks is ascertained by incorporating three major parameters, namely, Managerial Efficiency, Earnings Quality and Customer service and Satisfaction. The efficiency performance implies the extent of efficiency of the banks in relation to their productivity, profitability, operational performance, managerial competency and the quality of customer service and satisfaction. In terms of overall efficiency, HDFC Bank Ltd is the most efficient bank; followed by ICICI Bank ltd. CB occupy the third position. The best banks in the three groups (SBG, ONB and NGPB) are SBT, CB and HDFC Bank Ltd. respectively. PNB also performed well whereas the performance of BOB, SBI and BOI are not satisfactory.

10.5.3 Social banking performance

In social banking, Punjab National Bank is the best performer, followed by SBT. SBT is the best bank from SBG, PNB is first among ONB, and ICICI Bank Ltd is the top performer among NGPB. The performance of CB and SBI is also good but that of other banks (BOI, HDFC Bank Ltd, ICICI Bank Ltd. and BOB) is comparatively poor.

10.5.4 Overall performance of banks under FHES Model

The overall performance of banks under the FHES Model is the aggregate of the performance scores under each of the three FHES indicators,
after assigning due weightage to each component on the basis of its importance. ICICI Bank Ltd is the best bank followed by HDFC Bank Ltd, (both belong to the new generation private sector banks). Among the State Bank group, SBT is the best bank. CB is the best bank among other nationalized banks group (ONB). The ranks of each bank are given below.

1) ICICI Bank Ltd
2) HDFC Bank Ltd.
3) Canara Bank
4) Punjab National Bank
5) State Bank of Travancore
6) Bank of Baroda
7) Bank of India
8) State Bank of India

10.6 Conclusion

The liberalisation measures initiated in the 1990’s have made several positive changes in the banking industry. The efficiency, profitability, quality of services, financial health, etc. have been improved and the entry of new private and foreign banks had created competition in the banking industry. The study tried to evaluate and compare the financial performance and customer satisfaction of major banks in the public sector and the new generation private sector banks in the post-liberalisation era. Eight indicators are totally used including five CAMEL indicators (capital adequacy, asset quality, managerial efficiency, earnings quality and liquidity), growth performance, social banking and customer satisfaction.
Financial performance

The performance in capital adequacy reveals that new generation private sector banks proved better in CRAR and TIER I CRAR. The PSB are better in other ratios. Regarding differences in the ratios used in each indicator between banks, bank groups and bank sectors, due to time and after controlling for possible differences due to trend over time, it is found that there is significant difference in the performance between banks, bank groups (SBG, ONB and NGPB) and bank sectors (PSB and NGPB) in capital adequacy, asset quality, liquidity, managerial efficiency, earnings quality and social banking. There is no difference in the growth indicators between banks, bank groups and bank sectors due to time, whereas the difference is significant after controlling for possible trends due to trend over time.

The bank-wise overall performance in each indicator shows that the best banks are SBT and PNB in Capital adequacy, ICICI Bank Ltd, CB and HDFC Bank Ltd in Asset quality, SBI and BOB in Liquidity, ICICI Bank Ltd and HDFC Bank Ltd in Growth, ICICI Bank Ltd and CB in Managerial efficiency, HDFC Bank Ltd, SBT and PNB in Earnings quality, and PNB and SBT in Social banking performance. New generation private sector banks show much better performance than public sector banks in a majority of the ratios studied under the seven major indicators. Some public sector banks mainly CB, SBT, and PNB, showed outstanding performance in many sub indicators. Public sector banks outperformed NGPB in two indicators namely, Social banking and Liquidity. They showed equal performance with NGPB in capital adequacy, earnings quality and managerial efficiency. In Asset quality and Growth, NGPB outperformed PSB. Analysis of bank group-wise performance reveals that there is significant difference in the performance between the three bank groups. NGPB and SBG are the better performers in several ratios whereas the ONB group is not far behind.
Customer satisfaction

NGPB rendered better facilities and services to the customers than PSB. The customers of NGPB are more satisfied in all the indicators except charges than those of PSB. In overall satisfaction, NGPB comes first both group-wise and sector-wise followed by ONB and SBG respectively. HDFC is the best bank in customer satisfaction and ICICI comes second.

The most important factor considered by the customers while taking loans from a bank is timely availability, followed by simple procedure. The most important factor considered while selecting their favourite banks, i.e., while opening accounts, is location advantage, followed by better image of the bank. Customers of SBG and ONB give prime consideration to location advantage and those of NGPB to good dealings, better service and reliability. There is wide difference in the importance given by the customers of PSB and NGPB, since the PSB customers gave priority to location of the branch and image of the bank (dimension1) and service matters (traditional factors), whereas the customers of NGPB gave more importance to better service, good dealings and professional requirements (dimension 2 - professionalism).

Regarding location wise satisfaction, there is significant difference in the overall satisfaction between urban customers and semi-urban customers, and the urban customers are more satisfied than the semi-urban customers.

FHES model

The best bank in terms of financial health and soundness is ICICI Bank Ltd, followed by PNB, in efficiency HDFC Bank Ltd followed by ICICI Bank Ltd; and in social banking PNB followed by SBT. ICICI Bank Ltd ranks first in overall performance, followed by HDFC Bank Ltd considering, all the indicators under the FHES model.
In spite of the problems due to global economic meltdown, interest rate fluctuations, international commitments such as Basel norms, technological changes, etc., the big banks in India showed excellent performance both in financial and non-financial terms. The new generation private sector banks are a real threat to the public sector banks, especially in the event that the Government of India is going to grant licence to many new banks. But, there is no cause for worry because PSB have already changed a lot and improved their efficiency and got better adapted to the changing situations.

What they need is to improve the productivity at the branch level and employee level and the quality of customer service. The entry of new private banks, new technology, innovations, international standards, global changes, etc., pushed them into more strain.

10.7 Suggestions

Based on the findings of the study, some ways for improving the performance of banks may be suggested.

10.7.1 For the public sector banks:

a) Public sector banks should improve their capital base by issuing more shares to the public or through government contribution.

b) PSB should ensure the quality of credit and take steps to reduce the NPA especially by BOI and SBI.

c) PSB should find out whether the growth rate in major indicators is commensurate with the growth rate in the industry and study the reasons for the low growth performance.

d) They should reduce their operating expenses, mainly the wage bills, through various measures.
e) Public sector banks should concentrate more on the human resource management because employees are the representatives of the banks so that their dealings with the customers should be improved.

f) Public sector banks should give immediate attention to render speedy services to their customers.

g) PSB should improve the quality of customer service and the relationship with the customers. They should analyse the reasons for poor branch level and employee level performance, identify unviable branches and restructure the rural branches.

10.7.2 For the new generation private sector banks

a) New private banks should be more aggressive in their lending and at the same time reduce the growth in NPA.

b) New generation private banks should concentrate more on improving their CD ratio and ROE. Their operating expenses are high and so this should be reduced.

c) Their investment in Govt. securities is low and so this should be increased.

d) Social banking performance of new banks is very poor. New banks should lend more to the priority sector and also open their branches in rural and semi-urban areas so as to meet the needs of the rural people.

e) New banks should be more transparent in the charges imposed by them for various services.
10.7.3 For the banking sector as a whole

a) Both the sectors should improve their asset quality. Implementing the policy of ‘know your customer’ effectively by conducting pre-credit assessment on the creditworthiness of the borrower and the issue of a unique credit identification number to all the borrowers would help the banks to assess the probability of getting back loans, and decreasing risks in operations.

b) On the technology side, both PSB and new generation banks should take steps to provide credit cards/debit cards without problems, and, ATM facility with maximum counters and minimal complaints.

c) Customers share their banking needs with more than one financial institution. Cross-selling is the best solution to avoid this. Cross-selling means selling additional banking services to existing customers. Banks also do business as a financial service mall.

d) People have a prejudice that the banks are unapproachable concerns due to many reasons, and earlier experiences. This can be changed through financial inclusion and financial education to the people.

e) Banks should act as financial advisors to the people in their area and chalk out programmes and plans for raising their income.

f) The quality of loans given to the agricultural sector can be improved by linking credit with crop insurance and the formation of small-scale industrial and agri-clinics in their rural branches.

g) Banks should give attention in reducing the operating expenses by the adoption of the latest technology,
Findings, Conclusions and Suggestions

h) Banks should appoint trained computer experts to handle the banking services. Existing staff must also be trained on latest technical tools and techniques to cope with the increasing customer demands of more speed, accuracy and quality of service or product, and be properly educated relating to technology aspects, banking rules and regulations, risks in banking business and maintaining good inter-personal relationship with the customer, so as to improve their employee productivity.

i) Banks in India have to ensure equilibrium between social banking and profitability and also earn a fair return on their deals. Separate policies for rural branches and urban branches are necessary.

j) Commercial banks should improve the quality of their customer service and concentrate more on the customer awareness and education programmes, customer feedback system and grievances redress mechanism.

Contribution of the Researcher

a) The findings of the study give an exact picture of the performance of selected banks in each indicator, their strengths and weaknesses. These are crucial to the banks and this will help the banks to make improvement.

b) The researcher developed a new model in this study for the evaluation of the overall performance of banks (FHES Model) and the performance in each indicator. This is a pioneer one and can be used further.

c) The study reveals the preferences, needs and behaviour of the customers of different bank groups and the changing attitude in
accordance with the change in the atmosphere. The methodology based on extensive data base helps to bring out certain unique and interesting observations, findings and suggestions which may help the banking sector to evolve suitable strategies and make policy changes. Finally the researcher hopes that this study will bring better insights into the bank management and the policy making.

10.8 Scope for further research

1) Implementation of Basel norms and its impact on capital adequacy and asset quality position of the banking sector in India.

2) Sector-wise comparison of NPA in all the bank groups and the reasons for NPA in all the sectors.

3) Impact of policy changes on the performance of banks.

4) Comparison between the managerial, operational and employee performance of all bank groups and the reasons for differences if any.

5) Comparative efficiency and customer service of branches in metro, urban, semi-urban and rural areas.

6) Customer orientation on innovative and technology-driven banking products, their usage, problems, benefits both to the bank and the customers and efficiency in providing such facilities.

7) Innovative banking services, its risks, knowledge of the employees, and impact on the financial performance of banking companies.