In earlier chapters number six and seven, after making performance analysis of private sector banks in first and second generation reforms i.e. from 1991-92 to 2003-04, now we will analyse the performance analysis of both the private sector banks and public sector banks (in third generation reforms i.e. fro 2004-05 to 2010-11) in this chapter.

As per the analysis of the data related to the assets and liabilities of all commercial banks taken together as well as group wise analysis including foreign banks, nationalized banks, new and old private banks it shows that the all assets as well as liabilities of the banks have been significantly increased during the last ten years. The tables and graphical presentations and their analysis have been summarized as under.

7.1 Analysis of Assets and Liabilities of Foreign Bank working in India

Analysis of the data shown in the table 7.1 indicates that the assets of the foreign banks have been increased by 120.89 % during the last six years. The average growth rate of the assets of foreign banks was around 14%. The total assets have been decreased in the year 2009-10 and slightly increased by 3 % in the year 2010-11.

It is found that the loans and advances was the major component of the assets of foreign banks. The loans and advances of foreign banks have been increased by 80.89% during the last six years. The loans and advances have been increased during the last two years and the growth was only 2.66% in the year 08-09 and it has been negative in the year 2009-10. Again it has been positive and increased by 8.09% in the year 2010-11.
The cash fund of the bank has been increased by 16.76% during the last 6 years. Alike wise other assets the cash fund has shown decrease in the year 2008-09 to 2009-10.

Fixed Asset of the foreign banks has been increased by 99.42% during the last 6 years. The assets have shown significant increase in the year 2005 to 2008 but it has been decreased then onwards.

It is noteworthy to mention here, that the other assets of the foreign banks have been increased by 227.48 during the last 6 years. But here also the other assets have been increased in the year 2005-06 to 2008-09 only. The year 2009-10 and 2010-11 have shown decline in the other assets of the foreign banks.

The Capital and Reserves of Foreign Banks has increased by 37.14% in the year 2006-07 as compared to previous year and it has increased 49.65% in the year 2007-08 as compared to 2006-07. Subsequently, in the year 2008-09, 2009-10 and 2010-11 the growth was continuously reducing as compared to previous years. The overall growth in the last Six years was 196.15%.

Similarly, other liabilities and provisions have also shown a growth of 74.56% in the year 2006-07 as compared to previous year 2005-06. In the year 2007-08, the growth was 49.83% and in the year 2008-09 it was 56.05%. In the year 2009-10 and 2010-11 there was a negative growth of (28.26)% and (7.60)% respectively. The overall growth for the last Six years was 170.55%.

The Total borrowings have shown a overall growth of 61.16% and Total Deposits have shown overall growth of 114.83% during the period from 2005-06 to 2010-11.
Table 7.1
Table Showing the Assets and Liabilities of Foreign Bank working in India

(Rs in Crores)

<table>
<thead>
<tr>
<th>Foreign Banks</th>
<th>2005-06</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
<th>CGR 2005-06 to 06-07</th>
<th>CGR 2006-07 to 07-08</th>
<th>CGR 2007-08 to 08-09</th>
<th>CGR 2008-09 to 09-10</th>
<th>CGR 2009-10 to 10-11</th>
<th>Overall Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Funds and Balances with Banks</td>
<td>26,826.93</td>
<td>37,759.24</td>
<td>41,932.70</td>
<td>48,832.97</td>
<td>26,071.55</td>
<td>31,322.85</td>
<td>40.75</td>
<td>11.05</td>
<td>16.46</td>
<td>-46.61</td>
<td>20.14</td>
<td>16.76</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>2,398.37</td>
<td>2,984.47</td>
<td>3,966.91</td>
<td>4,698.69</td>
<td>4,826.51</td>
<td>4,782.88</td>
<td>24.44</td>
<td>32.92</td>
<td>18.45</td>
<td>2.72</td>
<td>-9.0</td>
<td>99.42</td>
</tr>
<tr>
<td>Investments</td>
<td>54,971.75</td>
<td>72,872.81</td>
<td>100,218.41</td>
<td>131,233.05</td>
<td>166,467.80</td>
<td>32.56</td>
<td>37.53</td>
<td>30.95</td>
<td>22.78</td>
<td>3.32</td>
<td>202.82</td>
<td></td>
</tr>
<tr>
<td>Loans and Advances (net)</td>
<td>97,571.07</td>
<td>126,338.55</td>
<td>161,132.63</td>
<td>165,414.55</td>
<td>166,467.80</td>
<td>32.56</td>
<td>37.53</td>
<td>30.95</td>
<td>22.78</td>
<td>3.32</td>
<td>202.82</td>
<td></td>
</tr>
<tr>
<td>Other Assets</td>
<td>21,048.85</td>
<td>39,195.04</td>
<td>57,915.22</td>
<td>97,486.08</td>
<td>79,108.66</td>
<td>68,930.55</td>
<td>24.44</td>
<td>32.92</td>
<td>18.45</td>
<td>2.72</td>
<td>-9.0</td>
<td>99.42</td>
</tr>
<tr>
<td>Total Assets</td>
<td>202,816.97</td>
<td>279,150.11</td>
<td>365,165.87</td>
<td>447,665.34</td>
<td>424,177.09</td>
<td>447,999.96</td>
<td>37.64</td>
<td>30.81</td>
<td>22.59</td>
<td>-2.96</td>
<td>3.13</td>
<td>120.89</td>
</tr>
</tbody>
</table>

C(Source: Reserve Bank of India, Bulletins 2005-06 to 2010-11)
Chart No 7.1 A & 7.1 B

Chart Showing Growth of Assets of Foreign Banks

- Cash Funds and Balances with other Banks
- Fixed Assets
- Investments
- Loans and Advances (net)
- Other Assets
- Total Assets

Chart Showing the Growth in Liabilities of Foreign Banks

- Capital and Reserves
- Other Liabilities and provisions
- Total Borrowings
- Total Deposits
- Total Liabilities and Capital

Year
- Amount in Crores
- 2005-06
- 2006-07
- 2007-08
- 2008-09
- 2009-10
- 2010-11
Table 7.2
Table Showing the Assets and Liabilities of Nationalised Banks in India
(Rs in Crores)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Funds and Balances with</td>
<td>117,823.38</td>
<td>144,517.36</td>
<td>187,343.00</td>
<td>203,703.23</td>
<td>242,144.76</td>
<td>208,632.86</td>
<td>22.66</td>
<td>29.63</td>
<td>8.73</td>
<td>18.87</td>
<td>13.84</td>
<td>77.07</td>
</tr>
<tr>
<td>other Banks</td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Fixed Assets</td>
<td>9,983.81</td>
<td>15,739.09</td>
<td>23,704.32</td>
<td>27,595.56</td>
<td>27,580.35</td>
<td>27,738.69</td>
<td>57.65</td>
<td>70.69</td>
<td>8.52</td>
<td>16.07</td>
<td>9.95</td>
<td>152.76</td>
</tr>
<tr>
<td>Investments</td>
<td>404,433.68</td>
<td>448,267.81</td>
<td>528,891.92</td>
<td>648,862.05</td>
<td>821,022.40</td>
<td>822,766.68</td>
<td>10.84</td>
<td>17.99</td>
<td>22.68</td>
<td>26.53</td>
<td>2.64</td>
<td>103.44</td>
</tr>
<tr>
<td>Loans and Advances (net)</td>
<td>699,584.98</td>
<td>906,795.87</td>
<td>1,137,078.52</td>
<td>1,426,746.87</td>
<td>1,727,079.40</td>
<td>1,768,273.00</td>
<td>29.62</td>
<td>25.40</td>
<td>25.47</td>
<td>21.05</td>
<td>2.39</td>
<td>152.76</td>
</tr>
<tr>
<td>Other Assets</td>
<td>45,710.60</td>
<td>49,285.62</td>
<td>56,126.36</td>
<td>67,139.43</td>
<td>70,628.93</td>
<td>82,623.87</td>
<td>7.82</td>
<td>13.88</td>
<td>19.62</td>
<td>5.20</td>
<td>16.98</td>
<td>80.75</td>
</tr>
<tr>
<td>Total Assets</td>
<td>1,277,536.45</td>
<td>1,564,605.75</td>
<td>1,933,144.12</td>
<td>2,374,047.14</td>
<td>2,888,455.84</td>
<td>2,910,035.10</td>
<td>22.47</td>
<td>23.55</td>
<td>22.81</td>
<td>21.67</td>
<td>7.50</td>
<td>127.78</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital and Reserves</td>
<td>79,477.87</td>
<td>95,366.41</td>
<td>116,405.02</td>
<td>141,458.58</td>
<td>162,430.87</td>
<td>170,562.78</td>
<td>19.99</td>
<td>22.06</td>
<td>21.52</td>
<td>14.83</td>
<td>5.01</td>
<td>114.60</td>
</tr>
<tr>
<td>Other Liabilities and provisions</td>
<td>91,625.81</td>
<td>112,347.06</td>
<td>141,669.61</td>
<td>155,881.71</td>
<td>178,429.63</td>
<td>184,932.11</td>
<td>22.62</td>
<td>26.10</td>
<td>10.03</td>
<td>14.46</td>
<td>3.64</td>
<td>101.83</td>
</tr>
<tr>
<td>Total Borrowings</td>
<td>68,904.85</td>
<td>62,790.61</td>
<td>69,440.09</td>
<td>66,079.98</td>
<td>81,773.64</td>
<td>94,177.64</td>
<td>-8.87</td>
<td>10.59</td>
<td>-1.96</td>
<td>20.11</td>
<td>15.17</td>
<td>36.68</td>
</tr>
<tr>
<td>Total Deposits</td>
<td>1,037,527.92</td>
<td>1,294,101.67</td>
<td>1,605,629.40</td>
<td>2,008,626.87</td>
<td>2,465,821.70</td>
<td>2,460,362.57</td>
<td>24.73</td>
<td>24.07</td>
<td>25.10</td>
<td>22.76</td>
<td>-0.22</td>
<td>137.14</td>
</tr>
<tr>
<td>Total Liabilities and Capital</td>
<td>1,277,536.45</td>
<td>1,564,605.75</td>
<td>1,933,144.12</td>
<td>2,374,047.14</td>
<td>2,888,455.84</td>
<td>2,910,035.10</td>
<td>22.47</td>
<td>23.55</td>
<td>22.81</td>
<td>21.67</td>
<td>0.75</td>
<td>127.78</td>
</tr>
</tbody>
</table>

(Source: Reserve Bank of India, Bulletins 2005-06 to 2010-11)
7.2 Analysis of Assets and Liabilities of Nationalised Bank working in India

Table 7.2 depicts the assets and liabilities of Nationalised Banks in India for the period 2005-11.

It is found that total assets of the nationalized banks have shown growth by 127.78%. The highest growth was seen in the year 2007-08 i.e. 23.55% whereas the lowest growth was in the year 2010-11 which is just 0.75%.

Total assets mainly comprise of loans and advances. The table shows that during all the year contribution of loans and advances was the largest to the total assets. Loans and advances showed the overall growth of 152.76%. Loans and advances have grown over the years but at a decreasing rate as in the year 2006-07 it showed growth of 29.62% while in 2008-09 the growth rate has fallen to 25.47%, in the next year it was 21.05% while in 2010-11 growth has been tremendously fallen to 2.39%.

The highest overall growth was seen in Fixed Assets, 177.84%, as compared to the other assets. In initial years the growth rate of fixed assets was really good. It was up to 50% but in the year 2009-10 it has shown a negative growth of -0.06% which means the nationalized bank might have sold out some of their fixed assets or they might have been disposed of due to their wear and tear or the reason can be that sales of fixed assets might have been more than the purchase of fixed assets.

Investments also showed a good overall growth of 103.44%. The highest growth rate was in the year 2009-10 i.e. 26.53% and the lowest was in the next year itself which is 0.21%. Cash funds and balances with other banks showed overall growth of 77.07%. There was a negative growth of -13.84% in the year 2010-11. The cash funds were withdrawn from other banks as in 2009-10 the balance was Rs. 242144.76 crores while in 2010-11 it decreased to Rs. 208632-86 crores. Other assets also showed an overall growth of 80.75%.

The total liabilities and capital of nationalized banks showed an overall growth of 127.78%. Total liabilities mainly comprise of total deposits.

Total deposits are the highest component of total liabilities and capital during all the mentioned years. The overall growth in the total deposits is 137.14%. It is highest in the year 2008-09 i.e. 25.10% and showed negative growth of -0.22% in the year 2010-11.

Capital and reserves showed the second highest growth of 114.60% among the liabilities. Capital and reserves have increased over the years, first at an increasing
rate and then at a decreasing rate. The growth rate has increased from 19.99% to 22.06% in the 2006-07 but after that the growth rate of capital and reserves have continuously decreased to 21.52%, 14.83% and 5.01% in the years 2008-09, 2009-10 and 2010-11 respectively.

Other liabilities and provisions showed an overall growth of 101.83%. The highest was in the year 2007-08 i.e. 26.10% and the lowest were in the year 2010-11 i.e. just 3.64%. The overall growth rate of total borrowings was not very high. It was 36.68%. In 2006-07 and 20008-09 there was a negative growth which is -8.87 and -1.96 respectively.
### Table 7.3
Table Showing the Assets and Liabilities of New Private Banks in India

(Rs in Crores)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Cash Funds and Balances with other Banks</td>
<td>26,522.47</td>
<td>48,375.36</td>
<td>67,105.72</td>
<td>60,571.72</td>
<td>85,159.40</td>
<td>68,355.26</td>
<td>82.39</td>
<td>38.72</td>
<td>-9.74</td>
<td>-40.59</td>
<td>-19.73</td>
<td>157.73</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>6,520.33</td>
<td>6,633.84</td>
<td>7,667.08</td>
<td>7,723.67</td>
<td>7,888.89</td>
<td>9,494.39</td>
<td>1.74</td>
<td>15.58</td>
<td>0.74</td>
<td>2.14</td>
<td>20.35</td>
<td>45.61</td>
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<tr>
<td>Investments</td>
<td>132,104.56</td>
<td>167,383.39</td>
<td>219,044.71</td>
<td>226,428.90</td>
<td>263,321.03</td>
<td>276,663.73</td>
<td>26.71</td>
<td>30.86</td>
<td>3.37</td>
<td>16.29</td>
<td>5.07</td>
<td>109.43</td>
</tr>
<tr>
<td>Loans and Advances (net)</td>
<td>217,426.11</td>
<td>294,976.42</td>
<td>353,778.53</td>
<td>381,703.11</td>
<td>419,360.91</td>
<td>449,063.79</td>
<td>35.67</td>
<td>19.93</td>
<td>7.89</td>
<td>9.87</td>
<td>7.08</td>
<td>106.54</td>
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<tr>
<td>Other Assets</td>
<td>18,102.14</td>
<td>24,666.62</td>
<td>30,838.60</td>
<td>37,095.79</td>
<td>32,386.34</td>
<td>33,341.18</td>
<td>36.26</td>
<td>25.02</td>
<td>-12.70</td>
<td>2.95</td>
<td>84.18</td>
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<tr>
<td>Total Assets</td>
<td>400,675.61</td>
<td>542,035.63</td>
<td>678,434.64</td>
<td>713,523.19</td>
<td>808,116.57</td>
<td>836,918.35</td>
<td>35.28</td>
<td>25.16</td>
<td>5.17</td>
<td>13.26</td>
<td>3.56</td>
<td>108.88</td>
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<tr>
<td>Liabilities</td>
<td></td>
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</tr>
<tr>
<td>Capital and Reserves</td>
<td>33,737.86</td>
<td>38,782.13</td>
<td>75,104.87</td>
<td>81,196.89</td>
<td>98,509.58</td>
<td>103,050.91</td>
<td>14.95</td>
<td>93.66</td>
<td>8.11</td>
<td>21.32</td>
<td>4.61</td>
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<tr>
<td>Other Liabilities and provisions</td>
<td>45,589.12</td>
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<td>97,036.11</td>
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<td>42.04</td>
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<td>7.17</td>
<td>21.63</td>
<td>-3.95</td>
<td>104.44</td>
</tr>
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<td>Total Borrowings</td>
<td>31,914.70</td>
<td>33,777.06</td>
<td>27,881.78</td>
<td>28,436.93</td>
<td>33,697.00</td>
<td>35,655.36</td>
<td>5.84</td>
<td>-17.45</td>
<td>1.99</td>
<td>18.50</td>
<td>5.81</td>
<td>11.72</td>
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<tr>
<td>Total Deposits</td>
<td>289,433.93</td>
<td>404,721.50</td>
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<td>578,873.88</td>
<td>605,011.79</td>
<td>39.83</td>
<td>23.79</td>
<td>4.61</td>
<td>10.45</td>
<td>4.52</td>
<td>109.03</td>
</tr>
<tr>
<td>Total Liabilities and Capital</td>
<td>400,675.61</td>
<td>542,035.63</td>
<td>678,434.64</td>
<td>713,523.19</td>
<td>808,116.57</td>
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<td>25.16</td>
<td>5.17</td>
<td>13.26</td>
<td>3.56</td>
<td>108.88</td>
</tr>
</tbody>
</table>

(Source: Reserve Bank of India, Bulletins 2005-06 to 2010-11)
7.3 Analysis of Assets and Liabilities of New Private Banks working in India

Table 7.3 above gives us the information about the assets and liabilities of New Private Bank in India for last six years. The above table tells us that the total assets of the new private banks have shown growth by 108.88%. The highest growth was seen in the year 2006-07 i.e. 35.28% whereas the lowest growth was in the year 2010-11 which is 3.56%.

Total assets mainly comprise of loans and advances and investments. The table shows that during all the year contribution of loans and advances was the largest to the total assets. Loans and advances showed the overall growth of 106.54%. The growth rate of loans and advances was highest in the year 2006-07 i.e. 35.67% and lowest in the year 2010-11 i.e. 7.08%.

Investments, which formed the second largest component of the total assets showed an overall growth of 109.43%. The highest growth rate was seen in the year 2007-08 which is 30.86% and the lowest was in the next year only i.e. 3.37% in 2008-09.

The highest overall growth was seen in cash funds and balances with other banks which is 157.73%, as compared to the other assets. In initial years the growth rate of cash funds and balances with other banks was good enough. It was 82.39 and 38.72% but in the year 2008-09 and 2010-11 it has shown a negative growth of -9.74% and 19-73% respectively. It shows that the funds were withdrawn from other banks during these years as amount has fallen from Rs. 67105.72 crores in 2007-08 to Rs. 60571.72 crores in 2008-09 and from Rs. 85159.40 crores in 2009-10 to Rs. 68355.26 in 2010-11. Fixed assets showed less growth of 45.61% compared to nationalized banks. Other assets also showed an overall growth of 84.18%.

The total liabilities and capital of new private banks showed an overall growth of 108.88%.

Total liabilities mainly comprise of total deposits. Total deposits are the highest component of total liabilities and capital during all the mentioned years. The overall growth in the total deposits is 109.03%. It is highest in the year 2006-07 i.e. 39.83% and showed lowest growth in the year 2010-11 i.e. 4.52%.

Capital and reserves showed the highest growth of 205.45% among the liabilities. Capital and reserves have increased over the years, the highest growth rate of capital and reserves was 93.66% in the year 2007-08 and the lowest was 4.61% in the year 2010-11.
Other liabilities and provisions showed an overall growth of 104.44%. The highest was in the year 2006-07 i.e. 42.04% and there was negative growth of -3.95% seen in the year 2010-11. The overall growth rate of total borrowings was very little. It was just 11.72%. In 2009-10, it was highest i.e. 18.50% and 2007-08 saw a negative growth of (17.45%).
CHART 7.3 A & 7.3 B

Chart showing the Asset Growth of New Private Banks

- Cash Funds and Balances with other Banks
- Fixed Assets
- Investments
- Loans and Advances (net)
- Other Assets
- Total Assets

Chart showing the Liabilities of New Private Banks

- Capital and Reserves
- Other Liabilities and provisions
- Total Borrowings
- Total Deposits
- Total Liabilities and Capital

Y-axis: Millions of Rupees
X-axis: Year

<table>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Funds and Balances with other Banks</td>
<td>16,025.82</td>
<td>18,950.74</td>
<td>23,071.55</td>
<td>23,349.76</td>
<td>22,606.87</td>
<td>19,401.71</td>
<td>18.25</td>
<td>21.74</td>
<td>-3.18</td>
<td>-14.18</td>
<td>21.07</td>
<td></td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>1,693.29</td>
<td>1,599.13</td>
<td>2,016.82</td>
<td>2,171.14</td>
<td>2,336.20</td>
<td>2,356.64</td>
<td>-5.56</td>
<td>26.12</td>
<td>7.60</td>
<td>0.87</td>
<td>39.18</td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>46,046.96</td>
<td>44,115.72</td>
<td>54,124.09</td>
<td>72,819.16</td>
<td>83,705.30</td>
<td>86,874.03</td>
<td>-4.19</td>
<td>22.69</td>
<td>34.54</td>
<td>14.95</td>
<td>3.79</td>
<td>88.66</td>
</tr>
<tr>
<td>Loans and Advances (net)</td>
<td>81,751.11</td>
<td>91,674.47</td>
<td>111,222.69</td>
<td>128,369.95</td>
<td>154,045.66</td>
<td>155,834.20</td>
<td>12.14</td>
<td>21.32</td>
<td>15.42</td>
<td>20.00</td>
<td>1.16</td>
<td>90.62</td>
</tr>
<tr>
<td>Other Assets</td>
<td>4,098.62</td>
<td>4,107.01</td>
<td>4,319.42</td>
<td>5,494.82</td>
<td>5,894.31</td>
<td>6,126.00</td>
<td>0.20</td>
<td>5.17</td>
<td>7.27</td>
<td>3.93</td>
<td>49.46</td>
<td></td>
</tr>
<tr>
<td>Total Assets</td>
<td>149,615.80</td>
<td>160,447.07</td>
<td>194,754.57</td>
<td>232,204.83</td>
<td>268,588.34</td>
<td>270,592.58</td>
<td>7.24</td>
<td>21.38</td>
<td>15.67</td>
<td>0.75</td>
<td>80.86</td>
<td></td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital and Reserves</td>
<td>9,339.23</td>
<td>10,259.46</td>
<td>15,363.12</td>
<td>17,477.88</td>
<td>20,185.65</td>
<td>20,908.69</td>
<td>9.85</td>
<td>49.75</td>
<td>13.77</td>
<td>15.49</td>
<td>3.58</td>
<td>123.88</td>
</tr>
<tr>
<td>Other Liabilities and provisions</td>
<td>7,555.94</td>
<td>8,737.89</td>
<td>10,284.00</td>
<td>11,186.14</td>
<td>12,922.98</td>
<td>13,329.06</td>
<td>15.64</td>
<td>17.69</td>
<td>8.77</td>
<td>15.53</td>
<td>3.14</td>
<td>76.41</td>
</tr>
<tr>
<td>Total Borrowings</td>
<td>2,633.15</td>
<td>3,199.51</td>
<td>3,477.19</td>
<td>4,263.39</td>
<td>5,566.64</td>
<td>7,540.64</td>
<td>21.51</td>
<td>8.68</td>
<td>30.57</td>
<td>35.46</td>
<td>186.37</td>
<td></td>
</tr>
<tr>
<td>Total Deposits</td>
<td>130,087.48</td>
<td>138,250.21</td>
<td>165,630.26</td>
<td>199,277.42</td>
<td>229,913.07</td>
<td>228,814.19</td>
<td>6.27</td>
<td>19.80</td>
<td>20.31</td>
<td>15.37</td>
<td>-0.48</td>
<td>75.89</td>
</tr>
<tr>
<td>Total Liabilities and Capital</td>
<td>149,615.80</td>
<td>160,447.07</td>
<td>194,754.57</td>
<td>232,204.83</td>
<td>268,588.34</td>
<td>270,592.58</td>
<td>7.24</td>
<td>21.38</td>
<td>15.67</td>
<td>0.75</td>
<td>80.86</td>
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</tr>
</tbody>
</table>

(Source: Reserve Bank of India, Bulletins 2005-06 to 2010-11)
7.4 Analysis of Assets and Liabilities of Old Private Banks working in India

The table 7.4 indicates that the assets of the old private banks have been increased by 80.86% during the last six years. The total assets have been decreased in the year 2010-11 and were highest in the year 2007-08.

It is found that the loans and advances was the major component of the assets. The loans and advances of old private banks have been increased by 90.62% during the last six years which is the highest growth among all the assets of old private banks. The loans and advances showed highest growth during 2007-08 year and lowest during 2010-11 i.e. just 1.16%.

The cash fund of the bank has been increased by 21.07% during the last 6 years. Unlike other assets the cash fund has shown negative growth rate in last two years. We can see from the table that first two years there is a increase in the growth rate but from 2008-09 there is a fall in the growth rate. Infact in the last year it reached as low to -14.18%.

Fixed Asset of the old private banks has been increased by 39.18% during the last 6 years. The assets have shown significant increase in the year 2007-08 i.e. 26.12% but it has been decreased then onwards, 7.65%, 7.60% and 0.87% in the years 2008-09, 2009-10 and 2010-11.

Table also mentions that the other assets of the old private banks have been increased by 49.46% during the last 6 years. But unlike fixed assets the other assets have been increased in the year 2008-09. The other years also show an increase in other assets but it is very little.

The Capital and Reserves of old private banks has increased by 123.88% over the last six years. The highest was in the year 2007-08 which is 49.75%. Subsequently, the growth was not that good as it was in the year 2007-08.

Similarly, other liabilities and provisions have also shown the highest growth in 2007-08 which is 17.69. In the year 2008-09 it was 8.77%. In the year 2009-10 and 2010-11 there was a growth of 15.53% and 3.14% respectively. The overall growth for the last Six years was 76.41%.
It is noteworthy to mention here that the total borrowings have shown an overall growth of 186.37% and Total Deposits have shown overall growth of 75.89% during the period from 2005-06 to 2010-11.
### Table 7.5
Table Showing the Assets and Liabilities of Local Area Banks in India

<table>
<thead>
<tr>
<th>Local Area Banks</th>
<th>2005-06</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
<th>CGR 2005-06 to 06-07</th>
<th>CGR 2006-07 to 07-08</th>
<th>CGR 2007-08 to 08-09</th>
<th>CGR 2008-09 to 09-10</th>
<th>CGR 2009-10 to 10-11</th>
<th>Overall Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
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</tr>
<tr>
<td>Cash Funds and Balances with other Banks</td>
<td>62.77</td>
<td>84.52</td>
<td>110.6</td>
<td>116.41</td>
<td>111.98</td>
<td>102.52</td>
<td>34.65</td>
<td>30.86</td>
<td>5.25</td>
<td>-3.81</td>
<td>-8.45</td>
<td>63.33</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>10.3</td>
<td>13.24</td>
<td>14.82</td>
<td>15.85</td>
<td>16.04</td>
<td>16.14</td>
<td>28.54</td>
<td>11.93</td>
<td>6.95</td>
<td>1.20</td>
<td>0.62</td>
<td>56.70</td>
</tr>
<tr>
<td>Investments</td>
<td>85.82</td>
<td>127.79</td>
<td>162.69</td>
<td>201.58</td>
<td>267.94</td>
<td>296.77</td>
<td>48.90</td>
<td>27.31</td>
<td>23.90</td>
<td>32.90</td>
<td>10.78</td>
<td>245.81</td>
</tr>
<tr>
<td>Loans and Advances (net)</td>
<td>196.62</td>
<td>261.64</td>
<td>353.78</td>
<td>438.64</td>
<td>533.22</td>
<td>531.01</td>
<td>33.07</td>
<td>35.22</td>
<td>23.99</td>
<td>21.56</td>
<td>-0.41</td>
<td>170.07</td>
</tr>
<tr>
<td>Total Assets</td>
<td>363.33</td>
<td>496.35</td>
<td>653.52</td>
<td>786.63</td>
<td>945.71</td>
<td>967.36</td>
<td>36.61</td>
<td>31.67</td>
<td>20.37</td>
<td>20.22</td>
<td>2.29</td>
<td>166.25</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Capital and Reserves</td>
<td>39.04</td>
<td>53.19</td>
<td>63.14</td>
<td>75.15</td>
<td>95.55</td>
<td>100.4</td>
<td>36.24</td>
<td>18.71</td>
<td>19.02</td>
<td>27.15</td>
<td>5.08</td>
<td>157.17</td>
</tr>
<tr>
<td>Other Liabilities and provisions</td>
<td>24.39</td>
<td>29.84</td>
<td>49.75</td>
<td>63.74</td>
<td>83.18</td>
<td>57.85</td>
<td>22.35</td>
<td>66.72</td>
<td>28.12</td>
<td>30.50</td>
<td>-30.45</td>
<td>137.19</td>
</tr>
<tr>
<td>Total Borrowings</td>
<td>10.52</td>
<td>23.91</td>
<td>27.1</td>
<td>31.52</td>
<td>30.12</td>
<td>28.34</td>
<td>127.28</td>
<td>13.34</td>
<td>16.31</td>
<td>-4.44</td>
<td>-5.91</td>
<td>169.39</td>
</tr>
<tr>
<td>Total Deposits</td>
<td>289.38</td>
<td>389.41</td>
<td>513.53</td>
<td>616.22</td>
<td>736.86</td>
<td>780.77</td>
<td>34.57</td>
<td>31.87</td>
<td>20.00</td>
<td>19.58</td>
<td>5.96</td>
<td>169.81</td>
</tr>
<tr>
<td>Total Liabilities and Capital</td>
<td>363.33</td>
<td>496.35</td>
<td>653.52</td>
<td>786.63</td>
<td>945.71</td>
<td>967.36</td>
<td>36.61</td>
<td>31.67</td>
<td>20.37</td>
<td>20.22</td>
<td>2.29</td>
<td>166.25</td>
</tr>
</tbody>
</table>

(Source: Reserve Bank of India, Bulletins 2005-06 to 2010-11)
7.5 Analysis of Assets and Liabilities of Local Area Banks working in India

The above table 7.5 depicts that total assets of the local area banks in India have shown growth by 166.25%. The highest growth was seen in the year 2006-07 i.e. 36.61% whereas the lowest growth was in the year 2010-11 which is just 2.29%. There is increase in the total assets of local area banks over last six years but at a decreasing rate as the growth rate is decreasing since 2006-07.

Loans and advances is the important component of the total assets. Like all the above bank categories, in this category also the contribution of loans and advances was the largest to the total assets during all the years. Loans and advances showed the overall growth of 170.07%. Loans and advances have grown over the years. In 2006-07 33.07% but after 2007-08 its increasing at a decreasing rate as in the year 2007-08 it showed growth of 35.22% while in 2008-09 the growth rate has fallen to 23.99%, in the next year it was 21.56% while in 2010-11 growth has been fallen down to be negative growth (0.41)%.

The highest overall growth was seen in Investments, 245.81%, as compared to the other assets. The highest was in the year 2006-07 i.e. 48.90%

Other assets also showed a good overall growth of 167.52%. The highest growth rate was in the year 2007-08 i.e. 26.97% and the lowest was 17.10% in the 2009-10. Cash funds and balances with other banks showed overall growth of 63.33%. The growth rate of cash funds and balances with other banks has been continuously decreasing over the last six year. There was a negative growth of (3.81%) and (8.45) in last two years.

Like others, the fixed assets also showed high growth in 2006-07 and 2007-08. Thereafter, growth of fixed assets was also found decreasing. The overall growth of fixed assets for last six year was also not too high. It was only 56.70%.

The total liabilities and capital of nationalized banks showed an overall growth of 165.25%. Total liabilities mainly comprise of total deposits.

Total deposits are the highest component of total liabilities and capital during all the mentioned years. The overall growth in the total deposits is 169.81%, which is the highest growth rate for all the components of liabilities. It is highest in the year 2006-07 i.e. 34.57% and lowest in 2010-11 i.e. 5.96%.
Capital and reserves also showed good growth of 157.17% among the liabilities. Capital and reserves have increased over the years but the growth was very less in the last year.

Other liabilities and provisions showed an overall growth of 137.19%. The highest was in the year 2007-08 i.e. 66.72% and the there was negative growth in the year 2010-11 i.e.(30.45%).

The overall growth rate of total borrowings was the second highest among the Liabilities. It was 169.39%. It is worth noticing that we can see two extreme in the growth pattern here. The growth rate was as high as 127.28% in the year 2006-07 and as low as negative growth of (4.44%).
### Table 7.6
Table Showing the Assets and Liabilities of SBI Group Banks in India

(Rs in Crores)

<table>
<thead>
<tr>
<th>Assets</th>
<th>2005-06</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>CGR 2005-06 to 06-07</th>
<th>CGR 2006-07 to 07-08</th>
<th>CGR 2007-08 to 08-09</th>
<th>CGR 2008-09 to 09-10</th>
<th>CGR 2009-10 to 10-11</th>
<th>Overall Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Funds and Balances with other Banks</td>
<td>48,494.27</td>
<td>63,883.37</td>
<td>88,444.02</td>
<td>111,712.41</td>
<td>104,096.46</td>
<td>92,956.76</td>
<td>31.73</td>
<td>38.45</td>
<td>26.31</td>
<td>-6.82</td>
<td>-10.70</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>3,897.63</td>
<td>3,901.95</td>
<td>4,520.80</td>
<td>5,435.80</td>
<td>6,128.69</td>
<td>6,335.67</td>
<td>0.11</td>
<td>15.86</td>
<td>20.24</td>
<td>12.75</td>
<td>3.38</td>
</tr>
<tr>
<td>Investments</td>
<td>228,288.85</td>
<td>208,920.11</td>
<td>259,921.14</td>
<td>352,973.81</td>
<td>370,119.78</td>
<td>354,383.94</td>
<td>-8.48</td>
<td>24.41</td>
<td>35.80</td>
<td>4.86</td>
<td>-4.25</td>
</tr>
<tr>
<td>Loans and Advances (net)</td>
<td>344,839.34</td>
<td>444,270.76</td>
<td>537,514.93</td>
<td>653,778.85</td>
<td>762,133.19</td>
<td>765,527.85</td>
<td>28.83</td>
<td>20.99</td>
<td>21.63</td>
<td>16.57</td>
<td>0.45</td>
</tr>
<tr>
<td>Other Assets</td>
<td>38,414.65</td>
<td>43,665.10</td>
<td>61,319.55</td>
<td>67,936.10</td>
<td>54,002.77</td>
<td>60,520.23</td>
<td>13.67</td>
<td>40.43</td>
<td>10.79</td>
<td>-20.51</td>
<td>12.07</td>
</tr>
<tr>
<td>Total Assets</td>
<td>663,934.74</td>
<td>764,641.29</td>
<td>951,720.44</td>
<td>1,191,836.97</td>
<td>1,296,480.89</td>
<td>1,279,724.45</td>
<td>15.17</td>
<td>24.47</td>
<td>25.23</td>
<td>8.78</td>
<td>-1.29</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Capital and Reserves</td>
<td>39,548.63</td>
<td>45,204.66</td>
<td>70,399.13</td>
<td>83,419.10</td>
<td>91,844.57</td>
<td>86,988.16</td>
<td>14.30</td>
<td>55.73</td>
<td>18.49</td>
<td>10.10</td>
<td>-5.29</td>
</tr>
<tr>
<td>Other Liabilities and provisions</td>
<td>75,132.83</td>
<td>79,065.79</td>
<td>97,492.93</td>
<td>117,417.61</td>
<td>118,009.70</td>
<td>102,630.49</td>
<td>5.23</td>
<td>23.31</td>
<td>20.44</td>
<td>0.50</td>
<td>-13.03</td>
</tr>
<tr>
<td>Total Borrowings</td>
<td>20,661.68</td>
<td>22,479.56</td>
<td>32,681.60</td>
<td>15,999.57</td>
<td>17,939.75</td>
<td>14,173.05</td>
<td>8.80</td>
<td>45.38</td>
<td>-51.04</td>
<td>12.13</td>
<td>-21.00</td>
</tr>
<tr>
<td>Total Deposits</td>
<td>528,591.60</td>
<td>617,891.28</td>
<td>751,146.78</td>
<td>975,000.69</td>
<td>1,068,686.87</td>
<td>1,075,932.75</td>
<td>16.89</td>
<td>21.57</td>
<td>29.80</td>
<td>9.61</td>
<td>0.68</td>
</tr>
<tr>
<td>Total Liabilities and Capital</td>
<td>663,934.74</td>
<td>764,641.29</td>
<td>951,720.44</td>
<td>1,191,836.97</td>
<td>1,296,480.89</td>
<td>1,279,724.45</td>
<td>15.17</td>
<td>24.47</td>
<td>25.23</td>
<td>8.78</td>
<td>-1.29</td>
</tr>
</tbody>
</table>

(Source: Reserve Bank of India, Bulletins 2005-06 to 2010-11)
7.6 Analysis of Assets and Liabilities of SBI Bank Group working in India

The table 7.6 shows that the assets of the SBI Group banks have been increased by 92.75% during the years 2005 to 2011. The total assets have negative growth in the year 2010-11 and have highest in the year 2008-09.

It is also found that like in other banks here also the loans and advances was the major component of the assets. The loans and advances of SBI Group banks have been increased by 122.00% during the last six years which is the highest growth among all the assets of SBI Group. The loans and advances showed highest growth of 28.83% during 2006-07 year and lowest during 2010-11 i.e. just 0.45%.

The cash fund of the bank has been increased by 91.69% over the last six years. The cash fund has shown negative growth rate in last two years i.e. (6.82%) and (10.70%). We can see from the table that first two years there is an increase in the growth rate by 31.73% and38.45% but from 2008-09 there is a fall in the growth rate.

Fixed Asset of the SBI Group banks has been increased by 62.55% over the last six years. The growth rates of fixed assets form a bell shaped curve. First the fixed assets increase with an increasing rate i.e. 0.11%, 15.86%, 20.24% and then increases with a decreasing rate i.e. 12.75% and 3.38%.

Table also depicts that the other assets of the SBI Group banks have been increased by 57.54% over the last six years. But unlike fixed assets the other assets have shown negative growth in 2009-10. The other years show an increase in other assets.

The Capital and Reserves of SBI Group banks have increased by 119.95% over the last six years. The highest was in the year 2007-08 which is 55.73%. Subsequently, the growth was not that good as it was in the year 2007-08 and there was even negative growth in the last year.

Similarly, other liabilities and provisions have also shown the highest growth in 2007-08 which is 23.31%. Subsequently, the growth has decreased and fallen down up to negative growth (13.03) in the last year. The overall growth for the last six years was 36.60%.
It is very important to mention here that the total borrowings have shown an overall negative growth of (31.40%) and Total Deposits have shown overall growth of 103.55% during the period from 2005-06 to 2010-11.
Table 7.7  
Table Showing the Assets and Liabilities of All Indian Banks  
(Rs in Crores)

<table>
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<tbody>
<tr>
<td>Cash Funds and Balances with other Banks</td>
<td>235,755.64</td>
<td>313,570.59</td>
<td>408,007.59</td>
<td>448,286.50</td>
<td>480,191.02</td>
<td>420,771.96</td>
<td>33.01</td>
<td>30.12</td>
<td>9.87</td>
<td>7.12</td>
<td>-12.37</td>
<td>78.48</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>24,503.73</td>
<td>30,871.72</td>
<td>41,890.75</td>
<td>47,640.71</td>
<td>50,724.41</td>
<td>50,724.41</td>
<td>25.99</td>
<td>35.69</td>
<td>13.73</td>
<td>18.64</td>
<td>0.46</td>
<td>97.18</td>
</tr>
<tr>
<td>Investments</td>
<td>865,931.62</td>
<td>941,687.63</td>
<td>1,162,362.96</td>
<td>1,432,518.55</td>
<td>1,699,558.67</td>
<td>1,707,451.85</td>
<td>8.75</td>
<td>23.43</td>
<td>23.24</td>
<td>18.64</td>
<td>0.46</td>
<td>97.18</td>
</tr>
<tr>
<td>Loans and Advances (net)</td>
<td>1,441,369.23</td>
<td>1,864,317.71</td>
<td>2,301,081.08</td>
<td>2,756,451.97</td>
<td>3,215,726.83</td>
<td>29.34</td>
<td>23.43</td>
<td>19.79</td>
<td>17.05</td>
<td>2.77</td>
<td>130.04</td>
<td></td>
</tr>
<tr>
<td>Other Assets</td>
<td>127,382.68</td>
<td>160,928.55</td>
<td>210,530.78</td>
<td>275,166.37</td>
<td>251,562.75</td>
<td>26.33</td>
<td>30.82</td>
<td>30.70</td>
<td>-12.04</td>
<td>3.94</td>
<td>97.49</td>
<td></td>
</tr>
<tr>
<td>Total Assets</td>
<td>2,694,942.90</td>
<td>3,311,376.20</td>
<td>4,123,873.16</td>
<td>4,960,064.10</td>
<td>5,746,237.80</td>
<td>22.87</td>
<td>24.54</td>
<td>20.28</td>
<td>14.86</td>
<td>0.86</td>
<td>113.22</td>
<td></td>
</tr>
<tr>
<td>Capital and Reserves</td>
<td>186,094.76</td>
<td>222,513.51</td>
<td>326,493.25</td>
<td>383,205.92</td>
<td>441,529.96</td>
<td>452,545.35</td>
<td>19.57</td>
<td>46.73</td>
<td>17.37</td>
<td>15.22</td>
<td>2.49</td>
<td>143.18</td>
</tr>
<tr>
<td>Other Liabilities and provisions</td>
<td>245,443.49</td>
<td>309,476.01</td>
<td>390,670.94</td>
<td>468,464.15</td>
<td>481,191.13</td>
<td>463,180.73</td>
<td>26.09</td>
<td>26.24</td>
<td>19.91</td>
<td>2.72</td>
<td>-3.74</td>
<td>88.71</td>
</tr>
<tr>
<td>Total Borrowings</td>
<td>164,003.70</td>
<td>173,236.95</td>
<td>191,586.83</td>
<td>185,623.90</td>
<td>192,397.51</td>
<td>215,844.40</td>
<td>5.63</td>
<td>10.59</td>
<td>-3.11</td>
<td>3.65</td>
<td>12.19</td>
<td>31.61</td>
</tr>
<tr>
<td>Total Deposits</td>
<td>2,099,440.95</td>
<td>2,606,149.73</td>
<td>3,215,122.14</td>
<td>3,922,773.46</td>
<td>4,581,885.84</td>
<td>4,614,667.32</td>
<td>24.14</td>
<td>23.37</td>
<td>22.01</td>
<td>16.80</td>
<td>0.72</td>
<td>119.81</td>
</tr>
<tr>
<td>Total Liabilities and Capital</td>
<td>2,694,942.90</td>
<td>3,311,376.20</td>
<td>4,123,873.16</td>
<td>4,960,064.10</td>
<td>5,746,237.80</td>
<td>5,746,237.80</td>
<td>22.87</td>
<td>24.54</td>
<td>20.28</td>
<td>14.86</td>
<td>0.86</td>
<td>113.22</td>
</tr>
</tbody>
</table>

(Source: Reserve Bank of India, Bulletins 2005-06 to 2010-11)
7.7 Analysis of Assets and Liabilities of All Banks working in India

The table 7.7 above tells us about the assets and liabilities of all the Indian Banks for the period of 2005-2011.

The above table tells us that the total assets of all the Indian banks have shown growth by 113.22%. The highest growth was seen in the year 2007-08 i.e. 24.54% whereas the lowest growth was in the year 2010-11 which is 0.86%.

Total assets mainly comprise of loans and advances and investments. The table shows that like the findings from the other above tables, during all the year contribution of loans and advances was the largest to the total assets. Loans and advances showed the overall growth of 130.04% which is the highest compared to other components of the total assets. The growth rate of loans and advances was highest in the year 2006-07 i.e. 29.34 % and lowest in the year 2010-11 i.e.2.77%.

Investments, which formed the second largest component of the total assets showed an overall growth of 97.18%. The highest growth rate was seen in the year 2007-08 which is 23.43% and the lowest was in the last year i.e.0.46%.

The overall growth was seen in cash funds and balances with other banks which is 78.48%. In initial years the growth rate of cash funds and balances with other banks was good enough. It was 33.01% and 30.12% but subsequent years it showed the fall in the growth rate and it has also shown a negative growth of (12.37%) in the last year.

Fixed assets showed the second highest growth of 107.01% compared to other components of total assets. Other assets also showed an overall growth of 97.49%.

Total liabilities mainly comprise of total deposits. Total deposits are the largest component of total liabilities and capital during all the mentioned years. The overall growth in the total deposits is second highest 119.81%. It was highest in the year 2006-07 i.e. 24.14% and showed lowest growth in the year 2010-11 i.e. .0.86%.

Capital and reserves showed the highest growth of 143.18% among the liabilities. Capital and reserves have increased over the years. The highest growth rate of capital and reserves was 46.73% in the year 2007-08 and the lowest was 2.49% in the year2010-11.

Other liabilities and provisions showed an overall growth of 88.71%. The highest was in the year 2007-08 i.e.26.24% and there was negative growth of (3.95%) seen in
the year 2010-11. The overall growth rate of total borrowings was 31.61%. In 2010-11, it was highest i.e. 12.19% and 2008-08 saw a negative growth of (3.11%).
Chart Showing the Asset Growth of Indian Banking System

Chart Showing the Liabilities of Indian Banking System
7.8 BUSINESS PERFORMANCE OF SCHEDULED COMMERCIAL BANKS:

The business and financial performance of scheduled commercial banks during 2005-06 to 2010-11 continued to be shaped by the strong macroeconomic performance during the year. In line with the policy initiatives undertaken by the Reserve Bank, the growth in credit by SCBs exhibited some moderation during the year. The moderation in credit was observed across all the sectors, barring services. On the liability side, deposit growth continued to be strong, albeit it was marginally lower than that in the previous year mainly on account of deceleration in term deposits. Banks’ investments in government and other securities recorded a higher growth during 2009-10, partly on account of a large issuance of MSS securities during the year. However, as percentage of net demand and time liabilities (NDTL), investment by banks in Government and other approved securities remained more or less at the previous year’s level. Overall, the credit-deposit ratio of banks declined during the year as a result of continued strong growth in deposits combined with moderation in credit.

Net interest margins of banks continued to decline during the year, reflecting the increase in competitive pressures. However, sharp increase in non-interest income and subdued growth in operating costs resulted in sharp increase in net profits of SCBs during the year. Consequently, return on assets showed a marginal improvement in 2009-10. Despite increase in gross nonperforming assets (NPAs) in absolute terms during the year, asset quality (gross NPAs as percentage of gross loans and advances) of banks in general and of public sector banks in particular continued to improve. The capital to risk-weighted assets ratio of the banking sector also showed marked improvement during the year, both on account of large capital raised by banks from the capital market during 2009-10 and increase in reserves.

- As at end-March 2010, SCBs comprised 28 public sector banks (State Bank of India and its seven associates, 19 nationalized banks and the IDBI Bank Ltd.), 8 new private sector banks, 15 old private sector banks and 28 foreign banks.
7.8.1 Liabilities and Assets of Scheduled Commercial Banks

As the process of consolidation of banks continued during 2009-10, the number of SCBs declined from 82 at end-March 2007 to 79 at end-March 2010 due to merger of two old private sector banks and amalgamation of a foreign bank. The Sangli Bank Ltd. was amalgamated with ICICI Bank Ltd. under Section 44A of the Banking Regulation Act, 1949 effective April 19, 2009. Under the same Section, the Reserve Bank, on August 27, 2009 sanctioned the Scheme of Amalgamation of Lord Krishna Bank Ltd. with Centurion Bank of Punjab Ltd. The Scheme came into force with effect from the commencement of business on August 29, 2009. Subsequently, the Scheme of Amalgamation of Centurion Bank of Punjab Ltd. with HDFC Bank Ltd. was sanctioned by the Reserve Bank on May 20, 2008; the Scheme came into force with effect from the commencement of business on May 23, 2010.

Consequent upon the global acquisition of banking business (excluding credit card and travel related business) of American Express Bank Ltd. (AEBL) by Standard Chartered Bank as a stock sale, the Reserve Bank sanctioned amalgamation of the Indian branches of AEML with the Indian branches of Standard Chartered Bank on March 5, 2010. Furthermore, American Express banking Corporation (AEBC), the parent bank of AEML, was issued a banking license under Section 22 of the Banking Regulation Act, 1949 to open its maiden branch in New Delhi for conducting the business relating to credit cards, travel related services and institutional deposits of AEBL, which was transferred to it prior to the sale of AEBL’s banking business to Standard Chartered Bank.

The aggregate balance sheet of SCBs expanded by 25.0 per cent, during 2009-10, as compared to 24.2 per cent in the previous year. The continued higher growth in assets of SCBs than the growth rate of the economy resulted in the increase in the ratio of assets of SCBs to GDP (at current market prices) to 91.8 per cent at end-March 2010 from 83.5 per cent at end-March 2009. As banks improved their capital base during 2009-10, the leverage (measured by the equity multiplier, which is defined as total assets divided by the total equity) of
the banking system during the year declined significantly to 13.7 at end-March 2010 from 15.8 a year ago.

The composition of assets of SCBs during 2009-10 remained more or less the same as in the previous year. On the liability side, the share of reserves and surplus increased, while that of deposits declined. Aggregate deposits of SCBs continued to show strong growth during 2009-10, though it was lower than the previous year. Capital and reserves grew at a significantly higher rate in 2009-10 in comparison with 2008-09. The growth rate of loans and advances moderated as compared with that in the previous year, partly reflecting the impact of measures taken by the Reserve Bank such as increase in cash reserve ratio (CRR), which, in turn, was reflected in the significant increase in cash and balances with the Reserve Bank. Banks' investments in Government securities grew at a much higher rate in comparison with the last year.

Among the banks groups, the balance sheets of foreign and new private sector banks expanded at a higher rate as compared with other bank groups (Table 4.40).

Increased further to 25.6 per cent at the end of March 2010 from 24.8 per cent at the end of March 2009. The growth rates in the assets of public sector banks and old private sector banks during 2009-10 at 23.9 per cent and 21.2 per cent, respectively, were higher than those during the previous year. However, their assets grew at a lower rate than those of SCBs as a whole.

The impact of differential growth rate across different banks groups was broadly reflected in their market shares in terms of major indicators of balance sheets.

7.8.2 Deposits

Aggregate deposits of scheduled commercial banks showed a lower growth of 23.1 per cent during 2009-10 as compared with 24.6 per cent in the previous year. The deceleration in aggregate deposits was on account of moderation in the growth of term deposits (24.8 per cent) as compared with that in the previous
year (28.7 per cent). Demand deposits and saving bank deposits showed a higher growth than that in the previous year.

The trend of increasing dependence of banks on certificates of deposit (CDs) continued during 2009-10. The amount of CDs outstanding increased by 58.5 per cent to Rs.1,47,792 crore by end-March 2010. CDs outstanding as percentage of aggregate deposits increased to 4.5 per cent as on March 28, 2010 from 3.5 per cent a year ago.

Bank groups-wise analysis reveals that deposits of foreign sector banks grew at the highest rate (26.8 per cent). While deposits of public sector banks and new private sector banks showed a growth of 23.1 per cent each, old private sector banks' deposits increased by 19.8 per cent during 2009-10. Though the growth in deposits of old private sector banks was significantly higher than that in the previous year, their share in aggregate deposits of SCBs declined further, albeit marginally during 2009-10. The share of foreign banks in aggregate deposits increased marginally during 2009-10, while that of public and new private sector banks remained at the previous year’s level.

Aggregate Deposits of Scheduled Commercial Banks

Deposits are the basic raw materials for the banks. Deposits help the banks to channel credit for productive investment in the economy. The higher the deposit mobilization is the larger the scope for deployment of funds in the economy. Deposits play a key role in commercial banking activities because the lending power of a bank and the size of its operations are determined by only the quantum of deposits. Aggregate deposits, including the demand and time deposits, are furnished in Table-4.47.

It is exhibited in the table 4.47 that the aggregate deposits mobilized by the Scheduled Commercial Banks have significantly gone up from Rs. 851,593 crores to Rs. 3,834,110 crores in the year 2000 to 2009. Demand deposits have been increasing year after year Rs.145, 283 crores in the year 2000 and Rs.524,
310 crores in the year 2008. The year 2009 shows decline. Compared to the demand deposits, mobilization of time deposits has been constantly rising from Rs.707, 310 crores in 2000 to Rs.3, 311,025 in 2009. The increase over the period of the study was 4.7 times.

Table 7.8 Aggregate Deposits of Scheduled Commercial Banks (Rs. Crore)

<table>
<thead>
<tr>
<th>Years</th>
<th>Demand Deposits</th>
<th>% to Total Deposits</th>
<th>Time Deposits</th>
<th>% to Total Deposits</th>
<th>Aggregate Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>145,283</td>
<td>17</td>
<td>706,310</td>
<td>83</td>
<td>851,593</td>
</tr>
<tr>
<td>2001</td>
<td>159,407</td>
<td>16</td>
<td>829,734</td>
<td>84</td>
<td>989,141</td>
</tr>
<tr>
<td>2002</td>
<td>169,103</td>
<td>15</td>
<td>962,085</td>
<td>85</td>
<td>1,131,188</td>
</tr>
<tr>
<td>2003</td>
<td>187,837</td>
<td>14</td>
<td>1,123,924</td>
<td>86</td>
<td>1,311,761</td>
</tr>
<tr>
<td>2004</td>
<td>225,022</td>
<td>15</td>
<td>1,279,394</td>
<td>85</td>
<td>1,504,416</td>
</tr>
<tr>
<td>2005</td>
<td>248,028</td>
<td>15</td>
<td>1,452,171</td>
<td>85</td>
<td>1,700,199</td>
</tr>
<tr>
<td>2006</td>
<td>364,640</td>
<td>17</td>
<td>1,744,409</td>
<td>83</td>
<td>2,109,049</td>
</tr>
<tr>
<td>2007</td>
<td>429,731</td>
<td>16</td>
<td>2,182,203</td>
<td>84</td>
<td>2,611,934</td>
</tr>
<tr>
<td>2008</td>
<td>524,310</td>
<td>16</td>
<td>2,672,630</td>
<td>84</td>
<td>3,196,940</td>
</tr>
<tr>
<td>2009</td>
<td>523,085</td>
<td>14</td>
<td>3,311,025</td>
<td>86</td>
<td>3,834,110</td>
</tr>
</tbody>
</table>

Source: Database from Reserve Bank of India, 2009

7.8.3 Non-Deposit Resources

Among the non-deposit resources, borrowings by banks increased by 22.4 per cent during 2009-10 as compared with a growth of 19.6 per cent in the previous
year. Resources raised from the capital during 2008-09. This was mainly on account of good performance of banking scripts in the secondary market, strong financial results of banks, increased need to raise capital in the face of sharp expansion of balance sheets, ensuing implementation of Basel II norms and tightening of capital adequacy norms for sensitive sectors.

7.8.4 Bank Credit

Growth rate in aggregate loans and advances of SCBs decelerated to 25.0 per cent during 2007-08 from 30.6 per cent in 2006-07 and an average growth of 31.9 per cent during 2004-05 to 2006-07. This was mainly on account of sharp deceleration in growth of terms loans (which constituted 58.0 per cent of total loans and advances) to 25.2 per cent in 2009-10 from 35.3 per cent in the previous year. Notwithstanding the deceleration in terms loans, the ratio of term loans to gross domestic capital formation (GDCF) in the country increased to 89.9 per cent in 2009-10 from 77.1 per cent in the previous year. Among the other major components, bills purchased and discounted witnessed a higher growth in the 2009-10, while cash credit and overdraft grew broadly at the same rate as in the previous year.

7.8.5 Deployment of Bank Credit

The overall deceleration in bank credit during 2009-10 was reflected in the flow of credit to all the major sectors, barring the services sector. The deceleration was more pronounced in respect of agriculture and allied activities and personal loans, where as credit to industry showed a marginal slowdown. Apart from general moderation of overall credit, drought in certain pockets of the country, lower demand for credit in anticipation of waiver under Debt Waiver Scheme, exclusion of loans to bodies such as Electricity Boards from the category of agricultural lending under the revised priority sector guidelines and lower investment credit may have contributed to the deceleration in credit to agriculture.
Provisional data on sectoral deployment of credit up to September 28, 2010 indicate that, on a year-on-year basis, overall credit growth was higher at 26.9 percent as compared with 22.2 per cent a year ago. Bank credit growth to agriculture and personal loans decelerated to 20.6 per cent and 15.3 per cent (23.2 per cent and 18.5 percent a year ago), respectively, while credit to industry and services increased at a higher rate of 33.1 per cent and 32.2 per cent (23.2 percent and 24.1 per cent a year ago), respectively. Credit growth to real estate remained high at 45.9 per cent, notwithstanding a sharp deceleration.

7.8.6 Priority Sector Advances

The Reserve Bank has taken several initiatives in recent years to enhance the credit flow to the sectors considered to be constrained by the inadequate credit availability. The priority sector definition was modified from time to time to take into account the structural changes in the economy. As per the revised guidelines, the priority sector broadly comprises agriculture, small enterprises sector, micro credit, education and housing. The targets and sub-targets for all banks are now linked to the adjusted net bank credit (ANBC) or credit equivalent amount of off-balance sheet exposures (CEOBSE), whichever is higher.

The growth in priority sector lending by banks during 2009-10 decelerated to 16.9 per cent in line with the deceleration in overall bank credit. Among bank groups, the outstanding priority sector advances of public sector banks at end-March 2010 increased by 16.8 per cent as compared with a growth of 27.2 per cent a year ago. Deceleration in priority sector advances was mainly due to lower growth in lending to agriculture and other priority sector advances, including micro credit and housing. Advances to micro and small enterprises sector by PSBs, however, exhibited a significantly higher growth of 45.0 per cent in 2009-10 as compared with an increase of 24.4 per cent during 2008-09. Notwithstanding some deceleration, total priority sector advances by PSBs during 2009-10 as a percentage of their ANBC/CEOBSE improved significantly to 44.6 per cent as compared with 39.7 per cent in the previous year. Among the other priority sector advances by PSBs, advances to housing constituted the
largest share (10.8 per cent ANBC/CEOBSE) followed by retail credit (3.0 per cent of ANBC/CEOBSE), education (1.5 per cent of ANBC/CEOBSE) and micro-credit (0.2 per cent of ANBC/CEOBSE). Total priority sector advances extended by private sector banks during 2009-10 grew by 12.9 per cent as compared with a rise of 35.6 per cent in the previous year. While advances to micro and small enterprises sector by private sector banks in 2009-10 increased by around half times, advances to agriculture registered a lower growth of 10.9 per cent as compared with 41.7 per cent in the previous year. Total priority sector advances by private sector banks, as on the last reporting Friday of March 2010, constituted 47.5 per cent of ANBC or CEOBSE.

As on the last reporting Friday of March 2010, lending to the priority sector by foreign banks constituted 39.5 per cent of their ANBC/CEOBSE as against the target of 32 per cent. Of this, credit to the micro and small enterprises (MSE) and export sectors constituted 12.2 per cent and 22.8 per cent, respectively, of ANBC/CEOBSE.

At individual bank-level, 12 banks achieved the overall target of lending to the priority sector and sub-targets of lending to agriculture and weaker sections. Twenty seven banks (12 public sector banks and 15 private sector banks) achieved the overall target, but did not achieve the sub-targets. Only two private sector banks did not achieve the overall target as also the sub-targets.

7.9 REPORT ON TREND AND PROGRESS OF BANKING IN INDIA,
2009-10:

7.9.1. Micro Finance
The SHG-Bank Linkage Programme has emerged as a major micro finance programme in the country. It is being implemented by commercial banks, RRBs and co-operative banks. At end-March 2010, 2.9 million SHGs were having outstanding bank loans of Rs.12,366 crore. During the year 2009-10, 552,992 new SHGs were provided with bank loans and 186,883 existing SHGs with
repeat loans. Total bank loans disbursed during the year were Rs.4,228 crore, of which repeat bank loans existing SHGs were Rs.1,686 crore.

7.9.2 Credit to Industry

Growth in credit to industry (small, medium and large) decelerated marginally to 25.0 per cent in 2009-10 from 26.7 per cent in the previous year. As credit growth to industry grew faster than the overall credit growth, the share of outstanding credit to industry in non-food gross bank credit increased to 39.6 per cent at end-March 2010 from 38.7 per cent at end-March 2009.

Infrastructure, which has the largest share in credit outstanding, also accounted for the largest share of incremental bank credit to industry in absolute terms, followed by basic metals and metal products, and textiles. In terms of growth rates, credit to cement and cement products showed the highest growth rate (51.3 per cent), followed by construction (41.7 per cent) and infrastructure (41.5 per cent). Compared to the previous year, credit growth to most of the sectors decelerated during 2009-10, barring a few sectors including infrastructure, leather and leather products, chemical and chemical products, and cement and cement products.

7.9.3 Credit to Micro and Small Enterprises (MSE) Sector

The total credit provided by public sector banks to the micro and small enterprises (MSE) as on last reporting Friday of March 2010 was Rs.1,48,651 crore, representing 10.9 per cent of ANBC/CEOBSE and 24.4 per cent of their total priority sector advances. Within the MSE sector, advances to manufacturing enterprises and service enterprises were at Rs.1,14,146 crore and Rs.32,094 crore constituting 76.8 per cent and 21.6 per cent, respectively, of the total advances to the small enterprises sector. The total credit extended by private sector banks to the MSE sector as on last reporting Friday of March 2010 was Rs.46,069 crore, constituting 13.4 per cent of ANBC/CEOBSE and 28.2 per cent of their total priority sector advances. Out of these advances, advances to
manufacturing enterprises and service enterprises amounted to Rs.16,526 crore (35.9 per cent of MSE advances) and Rs.29,178 crore (63.3 per cent of SME advances). The total credit provided by foreign banks to the MSE sector as on last reporting Friday of March 2010 was Rs. 15,489 crore, representing 12.2 per cent of ANBC/CEOBSE and 30.8 per cent of their total priority sector advances.

At end-March 2010, credit extended by scheduled commercial banks to 85,187 sick MSE units was at Rs.13,849 crore. Of these, 4,210 units with their outstanding bank credit at Rs.247 crore were found to be viable, of which, banks placed 1,262 units, involving an outstanding credit of Rs.127 crore under nursing programmes. 75,829 units without standing credit of Rs.13,462 crore were found non-viable. Credit extended by scheduled commercial banks to 14,754 sick medium enterprises (MEs) during the year was Rs.1,740 crore. Out of these, 495 MEs with outstanding bank credit at Rs.328 crore were found to be viable, of which, banks placed 50 MEs, involving an outstanding credit of Rs.185 crore under nursing.

7.9.4 Credit-Deposit Ratio

The credit-deposit ratio (CDR) and the investment-deposit ratio (IDR) of SCBs reflected the trend in the credit and deposit growth rates. On account of the strong credit growth during the previous three years (2006-07 to 2008-09), investment by banks showed a significantly lower average growth of about 6 per cent. In fact, banks liquidated some investments in 2007-08 leading to a sharp decline in incremental IDR. During 2009-10, however, with the moderation in credit growth and strong growth in deposits, the incremental credit-deposit ratio, as on March 31, 2010, declined to 73.6 per cent as compared with 84.3 per cent as on March 31, 2009. Incremental IDR, on the other hand, increased sharply to 30.8 per cent as on March 31, 2010 from 14.7 per cent as on March 31, 2009. The intra-year movement in the incremental CDR and IDR indicates that the gap between the two ratios, which narrowed during the last quarter of 2009, widened again after February 2010.

The CDR and IDR, based on the outstanding amount, which moved more or
less in the same direction between 1999 and the third quarter of 2006-07, tended to move in the opposite directions thereafter. This pattern continued in 2009-10 as the CDR increased further to reach an all-time high level of 74.6 per cent at end-March 2010. The IDR, on the other hand, which had declined to a low of 30.3 per cent as at end-March 2009, increased to 35.4 per cent at end-March 2010.

Among bank-groups, the CDR (in terms of outstanding amount) of foreign banks was the highest at end-March 2010, followed by new private sector banks, public sector banks and old private sector banks. At individual bank level, the CDR at end-March 2010 showed significant variations, particularly in the case of foreign banks. The CDR of public sector banks ranged between 59.3 per cent (United Bank of India) and 71.6 per cent (State Bank of Travancore), barring IDBI Bank Ltd. whose CDR was 112.6 per cent. In the case of old private sector banks, the CDR ranged between 53.2 percent (Ratnakar Bank) and 75.1 per cent (Karur Vysya Bank). The CDR of new private sector banks ranged between 62.9 per cent (HDFC Bank) and 94.7 per cent (Kotak Mahindra Bank). In the case of foreign banks, the CDR ranged between a low of 0.8 per cent (Oman International Bank) to a high of 597.8 per cent (Antwerp Diamond Bank). Of the 28 foreign banks, the CDR of as many as 10 banks was over 100 per cent.

7.9.5 Maturity Profile of Assets and Liabilities of Banks

The maturity structure of commercial banks’ assets and liabilities at end-March 2010 remained broadly the same as in the previous year, barring minor variations. The share of deposits of up to one year maturity of all bank groups (barring new private sector banks) increased moderately, while that of other maturity buckets (1-3 years and 3-5 years) declined (except foreign banks whose share of deposits maturing between 3-5 years remained unchanged). The share of borrowings up to one year maturity increased across all bank groups (barring Public Sector Banks, Old Private Sector Banks, New Private Sector Banks new private sector banks), with the increase being more pronounced in respect of
public sector banks. The maturity pattern of loans and advances and investments of all bank groups remained broadly the same during 2009-10 as in the previous year. The share of loans and advances with up to one year maturity increased marginally in the case of all bank groups, barring foreign banks. Similar trend was observed in investments across all bank groups. On the whole, assets depicted asynchronous pattern with the liabilities. At end-March 2010, in general, public sector banks and old private sector banks had higher proportion of both liabilities and assets under longer maturity bucket. Furthermore, with in the asset portfolio, while the maturity profile of loans and advances was nearly similar for all bank groups, barring foreign banks, Investment pattern of new private sector banks and foreign banks was more tilted towards shorter term maturity profile.

7.9.6 Financial Performance of Scheduled Commercial Banks

Financial performance of SCBs during 2007-08 was shaped by the movements in deposits interest rates across all maturities and lending interest rates along with growth in the volume of their activities. Reflecting hardening of interest rates, interest income increased sharply. Although deposit interest rates softened between end-March 2009 and end-March 2010, deposits contracted at 2002, 2003, 2004, 2005, 2006, 2009 and 2010 higher interest rates at different points of limited to increase in interest expenditure. On the whole, net interest income declined in relation to assets. Non-interest income, however, grew significantly. Operating expenses of banks were contained. As a result, profits of banks increased considerably during the year. Overall, return on assets improved during the year, though return on equity declined marginally as banks enlarged their capital base partly by raising resources from the capital market and partly by ploughing back of profits.

7.9.7 Interest Rate Scenario

Lending rates of SCBs across various bank groups showed a generally upward movement during the year (Table III.20). Deposit rates across bank
groups showed a general decline during 2007-08, though foreign and private sector banks marginally increased their rates in some of the maturity buckets. Public sector banks reduced the maximum rate on term deposits of all maturities (25 to 50 basis points), while they increased the minimum rates for deposits of 1 to 3 years (100 basis points). Private sector banks increased the maximum rates for deposits up to one year (by 25 basis points) and over three years (by 15 basis points), while they reduced their interest rate on deposits of one to three maturity (by 50 basis points). The minimum rates for deposits up to one year and over three years were reduced (by 50 basis points each) by private sector banks, while they were increased for deposits of one to three years (by 50 basis points). Foreign banks, on the other hand, reduced their minimum rates for deposits up to 1 year (by 75 basis points) and over 3 years (by 45 basis points).

Interest rates offered by public sector banks on deposits of maturity of one year to three years were placed in the range of 8.25-9.25 per cent in March 2008 as compared with the range of 7.25-9.50 percent a year ago, while those on deposits of maturity of above three years were placed in the range of 8.00-9.00 per cent in March 2008 as compared with the range of 7.50-9.50 per cent a year ago. Similarly, interest rates offered by private sector banks on deposits of maturity of one year to three years were placed in the range of 7.25-9.25 per cent in March 2008 as compared with 6.75-9.75 per cent in March 2007, while those on deposits of maturity above three years were placed in the range of 7.25-9.75 per cent in March 2008 as compared with 7.75-9.60 percent in March 2007.

Interest rates offered by foreign banks on deposits of maturity of one year to three years were placed in the range of 3.50-9.75 per cent in March 2008 as compared with 3.50-9.50 per cent in March 2007.

During the first half of 2008-09, both the lending and deposits rates, in general, hardened. Interest rates of PSBs on deposits of maturity of one to three years were placed in the range of 8.25-9.50 per cent in June 2008 as compared with 8.25-9.25 per cent in March 2008 and further moved up to the range of 8.75-10.60 per cent in October 2008. The deposit rates of private sector banks on deposits of maturity of one to three years and above three years firmed up further to 9.00-11.00 per cent and 8.25-11.00 per cent, respectively, in October 2008 as
compared with 7.25-9.25 per cent and 7.25-9.75 percent, respectively, in March 2008.

The range of benchmark prime lending rates (BPLRs) of PSBs and private sector banks hardened somewhat during 2007-08. Overall, there was an increase of around 75 basis points in the BPLR of public sectors during 2007-08 as compared with that in the previous year. The BPLR of PSBs and private sector banks were placed in the range of 12.25-13.50 per cent and 13.00-16.50 percent, respectively, in March 2008 as compared with 12.25-12.75 per cent and 12.00-16.50 per cent, respectively, in March 2007. The range of BPLRs of foreign banks, however, remained unchanged at 10.00-15.50 per cent during this period. The range of actual lending rates on demand and term loans (other than export credit) for the SCBs widened to the range of 4.00-28.00 per cent in March 2008 from the range of 3.15-26.50 per cent in March 2007.

The share of sub-BPLR lending in total lending of commercial banks, excluding export credit and small loans, declined from 78 percent at end-March 2007 to about 76 per cent at end-March 2008. The band of BPLRs of private sector banks and foreign banks was much wider than that of public sector banks. BPLRs of more than half of private sector banks were in the range of 13.00-15.00 percent at end-March 2008, while those of other private sector banks in the range of 15.25-16.50 per cent. As regards foreign banks, BPLRs of twelve banks were in the range of 10.00-13.00 per cent. BPLRs of nine other foreign banks were in the range of 13.25-14.00 per cent and another seven in the range of 14.25-15.50 per cent.

Yields in the Government security market during 2007-08 hardened somewhat in the first quarter, partly in response to global trends, CRR hikes, increase in market stabilization scheme (MSS) ceiling and issuance under the MSS. Yields softened after July 2007 on account of easy liquidity conditions, lower inflation, global trends in yields and expectations of a rate cut by RBI in the beginning of 2008. Yields, however, moved up after March 2008 on account of higher inflation. The money market remained largely orderly during 2007-08, barring occasional spells of volatility on account of large changes in capital flows and cash balances.
of the Central Government with the Reserve Bank. Call rates, which ruled easy from April 2008, edged up some what during May 2008, reflecting a decline in the surplus liquidity in the banking system due to the cumulative impact of a three-stage hike in the cash reserve ratio (CRR). CDs continued to be a preferred alternative for mobilising resources by some banks during 2007-08 and thereafter due to the flexibility of their timing and returns.

The RBI has increased almost 13 times, the interest rate (Both CRR and PLR) since last 18 months i.e. from January 2010. The base rate at present is 10.75% in all public sector banks. The steps had been taken to control the inflationary situation prevailing in the nations economy.

7.9.8 Cost of Deposits and Return on Advances

Though the deposit rates showed a marginal decline between end-March 2007 and end-March 2008, the cost of deposits of SCBs increased by one percentage point as compared to that during the previous year. This essentially reflected the average cost of contracting deposits of different types and different maturities at different points in time. Thus, the rise in cost of deposits during 2007-08 partly reflected the increase in deposit rate during the previous year. Though the cost of deposits increased across all bank groups, the increase was more pronounced in the case of new private sector banks (1.2 percentage points). Owing to higher lending rates, return of advances of SCBs showed a significant improvement of one percentage point during the year with the improvement being observed across all bank groups. The increase was significantly higher in the case of new private sector banks (1.7 percentage points). Return on investments by SCBs, however, declined marginally during 2007-08 from the previous year’s level mainly reflecting the prevailing financial markets conditions. The decline in return on investments was observed across all bank groups, barring new private sector banks which showed an increase of 0.8 percentage points. The improvement in the overall return on funds was lower than the increase in the cost of funds, leading to a decline of around 20 basis points in the spread (returns of funds over cost of funds) of banks during 2007-08.
7.9.9 Income

Overall income of SCBs during 2007-08 increased at a significantly higher rate of 34.3 per cent as compared with 24.4 per cent increase in the previous year. The income to assets ratio improved to 8.5 per cent after remaining unchanged at 7.9 per cent in the previous two years. Reflecting the higher lending rates, interest income of SCBs during 2007-08 increased by 33.6 per cent as compared with 25.0 per cent in the previous year. ‘Other income’ of SCBs during 2007-08 increased by 37.8 per cent as compared with 21.7 per cent during the previous year, reflecting the increasing diversification of sources of income by banks.

The relative contribution of interest income to total income of SCBs showed significant variations in recent years. The share of interest income, which had declined to a low level of 78.5 per cent in 2003-04, increased during the following three years. In 2007-08, however, it declined marginally to 83.9 per cent as compared with 84.3 percent in the previous year the share of non-interest incomes showed corresponding increase.

There was a discernible change in the relative contribution of interest and non-interest income to total income during 2007-08. Non-interest sources contributed 17.3 percent to incremental income of SCBs as compared with 14.2 per cent during the previous year. The interest component showed corresponding decline during 2007-08. Non-interest income in relation to total assets increased from 1.2 per cent in 2006-07 to 1.4 per cent in 2007-08.

The composition of non-interest income of SCBs has undergone some changes in recent years, particularly in terms of fee based income. Income from trading, which increased significantly during 2001-02 to 2003-04, declined in recent years.

Among bank-groups, income of new private sector banks grew at the highest rate (45.8 per cent) during 2009-10, followed by foreign banks (40.0 per cent), public sector banks (30.9 per cent) and old private sector banks (28.8 per cent). The interest income to total assets ratio of new private sector banks and SBI group improved during the year, while it declined in the case of other bank groups.
7.9.10 Expenditure

Expenditure of SCBs increased by 33.9 per cent during 2007-08, as compared to 24.1 per cent in the previous year. Among the major components of expenditure of SCBs, reflecting the impact of deposits contracted at different interest rates, interest expended increased sharply by 46.0 per cent as compared with 32.9 per cent in the previous year. Non-interest or operating expenses increased by 16.4 per cent, as compared to 12.0 per cent in the last year. Provisioning made increased marginally

In relation to assets, interest expenses increased to 4.8 per cent of total assets from 4.1 per cent in 2006-07. Operating expenses as percentage of total assets, however, declined marginally to 1.8 per cent in 2007-08 as compared with 1.9 per cent in the previous year. As result, banks’ burden (excess of non-interest expenditure over non-interest income) declined significantly to 0.4 per cent of total assets in 2007-08 as compared with 0.7 percent in 2006-07 and 0.9 per cent in 2005-06. The efficiency ratio (operating expenses as percentage of net interest income plus noninterest income) improved to 48.0 per cent during 2007-08 from 50.1 per cent in 2006-07, reflecting the rise in non-interest income and decline in operating expenses, which combined together outweighed the decline inept interest income (in relation to total assets).

Wages by SCBs increased at somewhat higher rate of 10.1 per cent in 2007-08 as compared with 8.0 per cent in the previous year. In terms of percentage to total assets, however, the wage bill of SCBs declined marginally to 0.9 per cent as compared with 1.0 per cent in 2006-07. A similar decline was also observed in the ratio of wage bill to operating expenses during 2007-08. Continuing the trend, the wage bill to operating expenses ratio was the lowest in respect of new private sector banks (31.2 per cent) in 2007-08, followed by foreign banks (39.9 per cent), notwithstanding some increase in the ratio over the previous year. The wage bill to operating ratio of other bank groups showed a marginal decline during 2007-08, essentially reflecting the reduction in expenditure on wages due to continued emphasis on technological upgradation.
7.9.11 Net Interest Income

The difference between interest income and interest expenses, *i.e.*, net interest income, is an important indicator of efficiency of the intermediation process by banks. Lower net interest income in relation to assets is an indicator of higher efficiency. Continuing the trend that began in 2004-05, net interest income (spread) of SCBs as percentage of total assets declined to 2.3 per cent in 2007-08 from 2.6 per cent in the previous year. Among the bank groups, net interest margin of foreign banks and private banks increased, while that of PSBs declined during 2007-08.

7.9.12 Operating Profits

Reflecting the buoyant growth in noninterest income on the one hand and relatively subdued growth in operating expenses on the other, operating profits of SCBs increased by 26.8 per cent in 2007-08 as compared with an increase of 21.3 per cent in 2006-07. Though the operating profits increased across all bank groups, the increase was more pronounced in respect of new private sector and foreign banks. The operating profits to total assets ratio during 2007-08 remained almost unchanged at the previous year’s level of 1.9 per cent. At the individual bank level, the operating profits to assets ratio showed large variations. The ratio varied between 11.1 per cent and (-)0.7 percent in respect of foreign banks, between 2.8 per cent to 0.8 per cent in the case of private sector banks (barring Single Bank and Lord Krishna Bank which were merged during the year) and between 2.4 per cent to 0.8 per cent for public sector banks.

7.9.13 Provisions and Contingencies

Provisions and contingencies of SCBs during 2007-08 grew at a marginally higher rate of 17.7 per cent as compared with 16.6 per cent in the previous year. While provisions for loans during 2007-08 were higher by 5.3 per cent, provisions for depreciation in value of investments declined by 11.6 per cent. Bank-group wise, provisions and contingencies as percentage of total
assets increased for private sector and foreign banks, while they declined for PSBs.

7.9.14 Net Profit

Net profits of SCBs showed a significant increase of 36.9 per cent during 2007-08 as compared with 26.9 per cent in the previous year despite the larger increase in provisions and contingencies.

7.9.15 Return on Assets

Return on assets (RoA) is an indicator of efficiency with which banks deploy their assets. During 2007-08, the net profits to assets ratio of SCBs improved moderately to 1.0 per cent from 0.9 per cent in 2006-07.

Though net profits as percentage of total assets improved across all bank groups, the improvement was more pronounced in the case of old private sector banks. Foreign banks continued to show the highest returns on assets.

7.9.16 Return on Equity

Return on equity (RoE), an indicator of efficiency with which capital is used by banking institutions, declined to 12.5 per cents at end-March 2008 from 13.2 per cent attend-March 2007, reflecting mainly the impact of increase in resources raised from the capital market during the year and reserves and surplus.

7.9.17 Sources of Non-interest Income of Scheduled Commercial Banks

With the increased competition brought about by financial liberalisation, banks began to diversify their activities and such non-interest income of banks acquired greater significance in the income portfolio of banks in India. An analysis of data on scheduled commercial banks (excluding regional rural banks) from 2000-01 to 2007-08 suggests that the ratio of non-interest income to total income of scheduled commercial banks increased from 13.0 per cent in 2000-01 to 21.6 per cent in 2003-04. The ratio, however, declined thereafter to 15.7 per cent in 2006-07, before showing a marginal increase in 2007-08 to 16.1 per cent.
The share of non-interest income in total income was the highest in respect of foreign banks in each of the single year from 2000-01 to 2007-08, indicating their large exposure to off-balance sheet items. On the other hand, the share of non-interest income was the lowest in respect of nationalized banks. Sources of non-interest income of SCBs comprise:

i. commission, exchange, and brokerage;

ii. profit on sale of investments;

iii. profit on exchange transaction; and

iv. Miscellaneous income. The miscellaneous income of banks includes profit on revaluation of investments, profit on sale of fixed assets such as buildings. Of these, while profit on exchange transactions and miscellaneous income showed more or less a steady trend, commission, exchange and brokerage, and profit on sale of investments showed a divergent trend. The share of commission, exchange and brokerage declined sharply during 2003-04, in which year, however, the share of profit on sale of investments increased commensurately. During 2006-07, when the commission, exchange and brokerage increased sharply, that of profit on sale of investments showed a sharp decline.

7.10 OPERATIONS AND PERFORMANCE OF COMMERCIAL BANKS

7.10.1 Asset Quality

The trend of improvement in the asset quality of banks continued during the year. Indian banks recovered a higher amount of NPAs during 2007-08 than that during the previous year. Though the total amount recovered and written-off at Rs.28,283 crore in 2007-08 was higher than Rs.26,243 crore in the previous year, it was lower than fresh addition of NPAs (Rs.34,420 crore) during the year. As a result, the gross NPAs of SCBs increased by Rs.6,136 crore in 2007-08. This is the first time since 2001-02 that gross NPAs increased in absolute terms. In this context, it may be noted that banks had registered rapid credit growth during the previous three years. Some slippage in NPAs, therefore, could be expected.
Besides, some other developments such as hardening of interest rates might have also resulted in increased NPAs. Banks had extended housing loans at floating interest rates. The hardening of interest rates might have made the repayment of loans difficult for some borrowers, resulting in some increase in Napkin this sector. It may be noted that the increase in gross NPAs was more noticeable in respect of new private sector and foreign banks, which have been more active in the real estate and housing loans segments. Gross NPAs (in absolute terms) of nationalized banks and old private sector banks continued to decline during the year. Gross NPAs of State Bank group showed an increase. Notwithstanding increase in gross NPAs of the banking sector, gross NPAs as percentage of gross advances declined further to 2.3 per cent at end-March2008 from 2.5 per cent a year ago. The NPAs ratio (gross NPAs to gross advances) of new private sector banks increased significantly during the year, while that of foreign banks increased marginally. The NPAs ratio of all other bank groups declined.

Among the various channels of recovery available to banks for dealing with bad loans, the SARFAESI Act and the debt recovery tribunals (DRTs) have been the most effective in terms of amount recovered. The amount recovered as percentage of amount involved was the highest under the SARFAESI Act, followed by DRTs.

In the case of direct agricultural advances, the recovery rate (percentage of recovery to demand) declined to 79.7 per cent for the year ended June 2007 from 80.1 per cent a year ago.

The Reserve Bank has so far issued certificate of registration (Cor) to eleven scrutinized companies/reconstruction companies (SCs/RCs), of which six have commenced their operations. At end-June2008, the book value of total amount of assets acquired by SCs/RCs registered with the Reserve Bank was at Rs.41,414 crore, showing an increase of 45.1 per cent during the year (July 2007 to June 2008). While security receipts subscribed to by banks/FIs amounted to Rs.8, 319 crore, security receipts redeemed amounted to Rs.1,299 crore.
7.10.2 Movements in Provisions for Non-performing Assets

Provisioning for non-performing assets tends to follow a cyclical pattern. In the expansionary phase of business cycle, impairment to balance sheets of banks tends to be relatively lower requiring lower provisioning even as credit increases at faster pace. The downturn phase of business cycle, on other hand, increases the possibility of credit losses, leading to higher provisioning requirements. The higher provisioning in the downturn phase may, thus, put pressure on the credit availability and accentuate the contraction phase of business cycle.

Provisioning made during 2007-08 was higher than write-back of excess provisioning during the year. Still, however, net NPAs increased during the year due to increase ingress NPAs. Among bank groups, provisions made during the year were higher than write back of excess provisions for new private sector banks and foreign banks whereas they were lower for public sector banks and old private sector banks. Thus, the cumulative provisions at end-March 2008 were higher than their respective levels a year ago in respect of new private sector and foreign banks whereas they were lower for public sector and old private sector banks. Cumulative provisions as percentage of NPAs declined marginally to 52.4 per cent at end-March 2008 from 56.1 per cent at end-March2007. Bank-group wise, the ratio was the highest for old private sector banks (64.9 percent), followed by PSBs, new private sector banks and foreign banks.

Notwithstanding an increase in the fresh accretions to gross NPAs (Rs.34,420crore) of SCBs during 2007-08, gross Nasals percentage of gross advances declined during the year. The net NPA ratio (net Nasals percentage of net advances) declined in respect of public sector and old private sector banks, while it increased in respect of new private sector banks and foreign banks. The net NPAs to net advances ratio at end-March2008 was highest (1.2 per cent) in respect of new private sector banks, followed by public sector, foreign and old private sector banks at 1.0 per cent, 0.8 per cent and 0.7 per cent, respectively.
The net NPAs to net advances ratio at end-March 2008 of 75 banks (76 last year) out of 79 (82 last year) was less than 2 percent. The net NPAs ratio of only one foreign bank was higher than 5 per cent. During 2007-08, the net NPA ratio of six banks each in the public sector and private sector improved.

Apart from decline in the NPA ratios, the improvement in asset quality of SCBs during 2007-08 was also reflected in the different loan asset categories. The share of ‘sub-standard’ loans showed a marginal increase to 1.1 per cent from 1.0 per cent in the previous year. However, the shares of loans in ‘doubtful’ and ‘loss’ categories, which represent lower quality of assets than sub-standard assets, continued to decline during 2007-08. Among these two categories (‘loss’ and ‘doubtful’), while NPAs in ‘loss’ category continued to show decline in absolute terms, NPAs in ‘doubtful’ category showed a marginal increase in 2007-08. More or less a similar trend was observed across all bank groups, barring new private sector banks in whose case the NPAs in althea three categories, viz., sub-standard, doubtful and loss increased during the year.

7.10.3 Sector-wise NPAs

The sector-wise analysis of NPAs of public and private sector banks indicates that the NPAs in the priority sector increased by 11.1 per cent during 2007-08 (4.8 per cent in the previous year) mainly due to increase inputs in the agriculture sector (32.1 per cent) and in the non-priority sector (10.3 per cent).

At the aggregate level, the share of priority sector NPAs in total NPAs at 54.4 per cent was broadly same as in the previous year (54.0 per cent).

7.10.4 Capital Adequacy

The overall CRAR of all SCBs improved to 13.0 per cent at end-March 2008 from 12.3 per cent a year ago, reflecting a relatively higher growth rate in capital funds maintained by banks than risk-weighted assets. While the growth in risk-weighted assets moderated in line with overall deceleration in credit growth during 2007-08, capital funds increased at higher rate on account of rising of resources by
banks from the capital market and increase in resources required for ensuing implementation of Basel II norms. Thus, the CRAR of the banking system at 13.0 per cent was significantly above the stipulated minimum of 9.0 per cent (Table III.36). As a result of resources raised by banks from the capital market during 2007-08 and increase in reserves, the Tier I capital ratio of SCBs improved to 9.1 per cent at end-March 2008 from 8.3 per cent a year ago. However, the Tier II capital declined marginally to 3.9 per cent at end-March 2008 from 4.0 per cent a year ago (Chart III.19). Tier I CRAR was more than the present stipulated requirement of 4.5 per cent and also above the 6.0 per cent norm prescribed in the final guidelines for implementation of Basel II released by the Reserve Bank on April 27, 2007.

7.11 MAJOR FINDINGS

The following findings emerge from the evaluation of performance of public sector and private sector banks based on data pertaining to 19 years of the study period:

I. The analysis of Public Sector Banks at branch level reveal that business operating expenses and profits on an average, have increased at a faster rate during the period under study, the increase is significant especially in the case of business and operating expenses. Inter-group analysis indicates that the performance of State Bank of India and Associate banks, on an average is better than that of nationalized banks in business and profit but they could not control their operating expenses. The performance of Nationalized Banks on profit front considered being weak when compared to other two groups,

II. The analysis of efficiency at employee level reveals that business, establishment expenses and profits have, on an average, increased and the increase is prominent in the case of business and
establishment expenses. State Bank of India and Associate banks has earned more profit per employee for the business they did, if they show concern about their establishment expenses.

III. Performance of Public Sector Banks on profitability front is good both in terms of mean values and growth rates, especially in Return on Equity. Return on Assets and Non-Interest Income. The Spread has declined during the first three years due to slashing down of interest rates. Deployment of resources by way of loans and advances is rather weak and they could not reach the desired standards of Credit-Deposit ratio.

IV. Period-wise analysis of Public Sector Banks showed that there is an improvement in all the indicators during the three sub-periods. The reform measures appear to have improved the performance of Public Sector Banks as a whole. For most of the indicators the improvement in period-III over in period-I and in period-II over I is encouraging but in Period-III over II is on the lower side. An analysis of the behavior of most of the indicators suggest that by and large immediately after introduction of banking sector reforms (period-I) most of the banks struggled to adjust the new environment.

V. It appears that all public sector banks have not responded to the process of reforms in the same degree and spirit. Some of them, for instance, Oriental Bank of Commerce, State Bank of Hyderabad and State Bank of Patiala, etc. recorded a marked improvement, while other banks like UCO Bank, United Bank of India, Central Bank of India, Bank of India, Indian Overseas Bank and Punjab and Sind Bank failed to show any significant improvement.

VI. The analysis of the performance of Private Sector Banks at branch and employee level in efficiency revealed that their performance is
remarkable in business, average in profits and high in expenses. These banks did very good business and earned reasonable profits but they could not control their expenditure. The performance of New Private Sector Banks is simply superb and showed very good business when compared to Old Private .Sector Banks or any other group but could not earn good profits. This is because New Private Sector Banks are spending more amount of money on technology, branch location and for the maintenance of .experienced staff, etc. This overhead, probably, suppresses their profits.

VII. On the profitability front, Private Sector Banks failed to put up consistent performance. There is a growth in Return on Assets, Return on Equity, Non-interest Income and Credit-Deposit Ratio but Net Interest Margin, on an average, declined during the study period. Even among the profitability indices, on an average, New Private Sector Banks showed better performance than those of Old Private Sector Banks in majority of indicators but they are trailing behind the Old Private Sector Banks in terms of its growth rates.

VIII. When the performance of Private Sector Banks is analyzed in three specified sub-periods, it is found that there is an increase in majority of indicators as one move from one period to another. For several indicators, the improvement in Period-III over I and in Period-II over I is encouraging but in Period-III over II understandably on the lower side.

IX. The reform measures undoubtedly improved the performance of Private Sector Banks in terms of efficiency and profitability but all banks did not respond in similar fashion. Some of them are as for example; ICICI Bank, HDFC Bank, Indus Ind Bank Ltd., UTI Bank, IOBI Bank and Bank of Punjab Ltd., showed a remarkable improvement while others like Catholic Syrian Bank Ltd., Sangli Bank
Ltd., United Western Bank Ltd., Citi Union Bank Ltd. and Dhanalakshmi Bank Ltd., recorded an average improvement given the same opportunity in the changed environment.

X. A Comparison of the relative performance of public and private sector banks reveals that on an average, Private Sector Banks are much a head of Public Sector Banks in efficiency. When the performance different. bank groups are considered, New Private Sector Banks is better than that of Old Private Sector Banks and even various groups of Public Sector Banks as well. Because of its inherent strength and image, SBI is much stronger in efficiency than other groups of Public Sector Banks. However, the grm.vth rate of Public Sector Banks appears to be better than that of Private Sector Banks in most of the efficiency indices.

XI. When the profitability of both the groups and subgroups is analyzed, Private Sector Banks, on an average, appeared to be better than Public Sector Banks in all the profitability indices except Net Interest Margin. Significant variations are observed spread across bank groups mainly on account of non-fund based activities. The position of Public Sector Banks is better than that of Private Sector Banks in this indicator. New Private Sector Banks and State Bank of India continued to show better results in most of the profitability indices. The performance of New Private Sector Banks is weak in the case of Return on Equity and Net Interest Margin. When compared with other sub-groups, State Bank of India is not stronger in Return on Assets and Credit-Deposit Ratio. An interesting feature is that the New Private Sector Banks which have from their very start rendered various types of fee-based services have been able to earn a higher percentage of Non-Interest Income compared not only their counterparts but also to different groups of Public Sector Banks. However, when the growth rates are taken into consideration, the
performance of Public Sector Banks appears to be better than that of Private Sector Banks.

XII. Consequent upon the introduction of prudential norms relating to asset classification, income recognition and provisioning, the most visible structural change in the banking sector was improvement in asset quality. The share of Non-Performing Assets in gross and net terms declined significantly across all bank groups. The incidence of NPAs is higher in the case of Public Sector Banks than other groups.

XIII. With the introduction of Capital to Risk Weighted Asset Ratio norms in 1992, significant improvements were noticed in the capital position of banks. At the end of March 2003, for Public Sector Banks as a whole the Capital to Risk Weighted Asset Ratio (CRAR) stood at 12.64 per cent and for Old Private Sector Banks and seven out of eight New Private Sector Banks-CRAR was above the stipulated levels.

XIV. When the service quality and customer satisfaction of selected public and private sector banks were examined by undertaking a survey, it is found that private sector banks operating in Hyderabad and Secunderabad provide better service quality to its customers as compared to public sector banks. The new private sector banks have excelled in delivering superior service quality to their customer than the old private sector and even public sector banks as well.

XV. Majority of the customers especially from public sector banks strongly felt that the system followed in the banks need a review in term of simplifying various forms used and procedures followed for sanctioning loan. Some of the customers of Public Sector Banks advice their banks to adopt the procedure followed by private and foreign banks in this regard. Another point of worry to customer and
management of Public Sector Banks is behavior of the staff. Whatever may be the reason it is certain that behavior of the staff with the customer needs improvement.

On the whole, it appears that the overall performance of Private Sector Banks is better than that of Public Sector Banks.

In brief, the analysis of PSBs at branch level reveal that business, operating expenses and profits on an average, have increased at a faster rate during the period under study. The increase is significant especially in the case of business and operating expenses. Inter-group analysis indicates that the performance of SBI and Associate banks, on an average, is better than that of Nationalised banks in business and profit but they could not control their operating expenses. The performance of NBs on profit front considered to be weak when compared to other two groups.

The analysis of efficiency at employee level reveals that business, establishment expenses and profits have, on an average, increased and the increase is prominent in the case of business and establishment expenses. SBI and Associate banks would have earned more profit per employee for the business. They did, if they show concern about their establishment expenses.

Performance of PSBs on profitability front is good both in terms of mean values and growth rates, especially in ROA, ROE, and NIL. The Spread has declined during the first three years due to slashing down of interest rates. Deployment of resources by way of loans and advances is rather weak and they could not reach the desired standards of Coll ratio.

Period-wise analysis of PSBs showed that there is an improvement in all the indicators during the three sub-periods. The reform measures appear to have improved the performance of PSBs as a whole. For most of the indicators the improvement in period-III over in period-I and in period-II over I is
encouraging but in Period-III over II is on the lower side. An analysis of the behavior of most of the indicators suggest that by and large immediately after introduction of banking sector reforms (period-I) most of the banks struggled to adjust the new environment.

It appears that all public sector banks have not responded to the process of reforms in the same degree and spirit. Some of them, for instance, OBOC, SBOH and SBOP, etc. recorded a marked improvement, while other banks like UCO, UNBOI, CBOI, IOB and P&SB failed to show any significant improvement.

In the next chapter number eight, critical evaluation of financial reforms and its impact on Indian banking system has been presented.