1. STATEMENT OF PROBLEM

A Sound Banking System is essential for the future growth of any economy. In India, among the banking institution in the organized sector, the commercial banks are the oldest institutions having a wide network of branches, commanding utmost public confidence and having the lion’s share in the total banking operations. The Financial Sector Reforms were implemented in our country during 1991-92 with an objective to improve the efficiency of the Banking System, effective conduct of monetary policy and creating conducive environment to enable integration of Indian Financial System with that of Global System.

Prior to the introduction of financial sector reforms, the government sector were present in each and every sphere of the economy and played a principal role towards the development and growth of Indian financial system.

The rule for an administered interest rate has been resulted in financial intermediation of low-quality and high-cost, and the pre-emption of a huge amount of bank deposits result in the form of reserves. The existence of the interest rates structure that has been found difficult and it is taking place from the concerns of both social and economic, regarding the supply of acknowledgment credit towards definite sectors which resulted in cross subsidization, where the larger rates stimulating to non-concessional borrowers were involved. On deposits and lending, through specified regulatory instructions, the administered interest rates system was distinguished which in further leads to interest rates in large quantity.

Therefore, among the commercial banks lending rates and deposits rates the spreads have been increased, and in the credit risk the administered lending rates does not make any issue. During the banking system operations, the lack of prudential norms, accountability, and transparency also results in the expanding of non-performing assets trouble. The bank’s functional autonomy and operational
independence has been confined by the inflexibility in management structures and licensing of branches which has increased the overhead costs on the expenditure front.

During the reform period, the noteworthy and critical reforms in the financial system have incorporated the following:

- Permitting the banks to select their lending rates and deposit, by liberalizing the interest rate rule.
- Establishing micro-prudential measures like income recognition, provisioning norms for loans, accounting norms, capital adequacy requirements, asset classification, and exposure norms.
- Authorizing higher disclosure to make sure of larger transparency in the balance sheets.
- Introducing competition by allowing the establishment of new foreign banks and also permitting more liberal entry of foreign banks.
- Assuming a consultative method so as to originate policy through measures that are being ushered by the participants of market to supply lead time useful to the market players in order to create required adjustments.
- Reducing the statutory reserve necessities for statutory liquidity ratio(SLR) and for cash reserve ratio(CRR).
- Expanding the public sector banks’ ownership in order to increase their capital up to 49 percent from the market by means of public issue.

Thus, the present study aims to analyse the financial performance of Indian Banking Sector, in general, since introduction of reforms. Several Private Sector Banks commenced operations during the said period, which further accelerated channelizing the savings of the investors more efficiently and effectively. A comparative analysis of PSBs as well as PBs will definitely help in evaluating the overall performance of Indian Banking System.

2. **OBJECTIVES OF THE STUDY**

The present study examined the performance of different commercial banks in India. This study also tried to find out that which segments of banks prove
inefficiently on the basis of different parameters being used. The specific objectives of the study are:-

a. To understand the key reforms introduced in the banking sector.

b. To study the impact of reforms on the financial performance of banks.

c. To study the financial performance of public and private sector banks.

d. To make a comparative financial performance analysis between public and private sector banks.

3. HYPOTHESES

As stated above, the objective of the present study is to measure the performance of different banks in the country with the help of Ratio Analysis Mann-Whitney U test and Karl Pearson Correlation Coefficient to measure the relative changes in the performance of the different segments of the banks. Basis on the above objectives the following hypotheses have been set.

**Ho1.** There is no significant impact of reforms on the financial performance of the Public and Private Sector Banks;

**Ho2.** There is no significance correlation between Volume and size and Profitability (ROA) of the banks.

**Ho3.** There is no significance correlation between Efficiency (Branch level and Employee Level) and profitability (ROA) of the banks.

4. RESEARCH METHODOLOGY

The present study is a descriptive research. Mainly we have used secondary data from different sources. The study has been conducted by using specific financial ratios to study the comparative analysis of the PSBs and Private Sector Bank. The specific ratios are helpful in evaluating the efficiency of Banks, which not only indicate the past trends but would predict the likely performance in future as well. Those ratios have been classified into five Performance indicators viz., Volume and Size, Efficiency, Profitability, Asset Quality and Soundness. Apart from the above, following statistical tools have been used to analyse the relevant data for testing Hypothesis framed for the study:

- **Mann-Whitney U Test**
5. **SCOPE / AREA OF THE STUDY**

For the purpose of assessment of performance of banks, the Reserve Bank of India categories them as public sector banks, private sector banks and foreign banks. The proposed study tries to evaluate the performance of Public sector banks and Private sector banks for a period of Twenty Two years (April 1991 to March 2012). Presently there are total 86 Schedule Commercial Banks in India. These Banks are grouped by RBI as follows:

**Table 1 : Bank Groups**

<table>
<thead>
<tr>
<th>Bank Group</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Bank of India (SBI)</td>
<td>01</td>
</tr>
<tr>
<td>SBI Associates</td>
<td>05</td>
</tr>
<tr>
<td>SBI Group(G-1)</td>
<td>06</td>
</tr>
<tr>
<td>Nationalized Banks(G-2)</td>
<td>19</td>
</tr>
<tr>
<td>Other Public Sector Bank (IDBI Bank Ltd.)</td>
<td>01</td>
</tr>
<tr>
<td>Public Sector Banks(PSBs)</td>
<td>26</td>
</tr>
<tr>
<td>Old Private Sector Banks(G-3)</td>
<td>13</td>
</tr>
<tr>
<td>New Private Sector Banks(G-4)</td>
<td>07</td>
</tr>
<tr>
<td>Private Sector Banks(PBs)</td>
<td>20</td>
</tr>
<tr>
<td>Foreign Banks</td>
<td>40</td>
</tr>
<tr>
<td>Schedule Commercial Banks</td>
<td>86</td>
</tr>
</tbody>
</table>

**Source:** A profile of Banks 2011-12; RBI Publications.

This study has been done taking different Groups i.e., PSBs G-1 and G-2, PBs G-3 and G4. Groups containing all the 26 Public and 20 Private Sector Banks mentioned above. The period of study is divided into two Phases: First phase for

6. **SELECTION OF BANKS**

The present study has evaluated the performance of all the 26 Public and 20 Private Sector Banks operating in India.

7. **SAMPLING TECHNIQUES**

7.1 **Sampling Units:** We have conducted the study on all public sector banks and all private sector banks group wise.

7.2 **Sample Size:** The sample size for the study is both the Banking Groups(G-1+G-2) and (G-3 + G4) comprising all the 26 Public Sector Banks and 20 Private Sector Banks as mentioned above.

7.3 **Sampling Method:** Since all the 26 Public and 20 Private Sector Banks among both the Bank Groups i.e., Public Sector Banks and Private Sector Banks were taken up for doing this research work, so no sampling method was required.

8. **DATA COLLECTION AND ANALYSIS**

The current study has evaluated the performance of the Banking Groups (G-1+G-2) and G-3 +G4) comprising all the 26 Public Sector Banks and 20 Private Sector Banks separately, which include the following:

8.1 **Volume and Size**

I) No. of Employees

II) No. of Branches

III) Aggregate Deposits

IV) Aggregate Advance

V) Total Business

VI) Market Share of Group of Banks in Total Business

8.2 **Efficiency**

I) **Branch Level Efficiency**

   a) Business per Branch
b) Profit per Branch

II) Employee Level Efficiency
   a) Business Per Employee
   b) Profit Per Employee

III) Operating Profit to Total Assets

IV) Operating Expenses to Total Assets

8.3 Profitability
   I) Return on Assets (ROR)
   II) Return on Equity (ROE)
   III) Net Interest Margin (NIM)
   IV) Other Income to Total Income
   V) Credit-Deposit Ratio

8.4 Assets Quality
   I) Gross NPA to Gross Advances
   II) Net NPAs to Net Advances

8.5 Soundness
   I) Capital Adequacy Ratio (CRAR)
   II) Distribution of Bank Groups by CRAR

9. PERIOD OF STUDY
   The period under this study is covered from 1991-2012.

10. SOURCES OF DATA
   i. The study has been based on the secondary data published by the various institutions and organizations concerned with commercial banks.
   ii. The publications of the Reserve Bank of India.
      A) Report on Trend and Progress of Banking in India (Annual).
      B) Banking Statistics Report on Currency and Finance (Annual),
C) RBI Bulletins (Monthly) etc.

D) Hand Book of Statistics on Indian Economy

E) A Profile of Banks of different years

F) Database on Indian Economy

iii. Publication of Indian Banking Association, Mumbai.

   A) Data published by the Indian Banks’ Association in monthly bulletins;

   B) Indian Banking at a Glance

   C) Performance Highlight of Public Sector-Various Issues

   D) Performance Highlight of Private Sector-Various Issues

iv. Economic Survey of Government of India,

v. IBA Bulletins (Monthly and Special Issue)

vi. Business News Papers and Bulletins

vii. Publications of leading Institutes in India and World.

viii. International Journal/National Journals

ix. Websites

11. SCHEME OF THE STUDY

An introspect review of the current study confirms that the Indian banking system has undergone a change after the nationalization of the Banks in 1969/1980. Both the Narasimham Committees (1991 and 1998) had emphatically stressed to enhance the efficiency and viability of the Indian Banking System. The Banking Sector reforms had transformed the Banking System through operational flexibility, functional autonomy and leveraging technology thereby improving efficiency, productivity and profitability of the system.

The study comprises of seven chapters. The First Chapter is an introductory one which describes the theme of the study including Indian Banking Scenario, Reforms in Indian Banking Sector, Growth and Development of Banking-Pre and Post Reform Periods.
Second Chapter extensively covers the review of Literature for the studies that were earlier conducted in India and abroad by different researchers.

Third Chapter explains the need and relevance for this study, objective of the study and Hypothesis framed thereon, Research Methodology adopted, Utility of the Study and limitation of the study.

Fourth Chapter analyses the Financial Performance of Public Sector Banks, Group wise, SBI and Associate (G-1) and Nationalised Banks (G-2) through some well defined and acceptable performance indicators, e.g., Volume and size of Banks, Efficiency, Profitability, Asset Quality and Soundness.

Fifth Chapter discusses the Financial Performance of Private Sector Banks, comprising old Pvt. Banks (G-3) and new generation Pvt. Banks (G-4) in term of above referred performance indicators.

Sixth Chapter makes analysis of Comparative Financial Performance of Public Sector and Private Sector Banks, followed by testing of Hypothesis through various statistical tools like Mann Whitney Test, Karl –Pearson Correlation Coefficient.

The last Seventh Chapter provides Findings, Suggestions and Conclusion emanated from the study for further improvement in performance of the Banks on an on-going basis.

12. MAJOR FINDINGS

The Indian Economy has withstood the shocks of the global meltdown/financial crisis well and none of the key financial parameters point to any discernible vulnerability since 2008-09.

Financial performance of banks came under pressure during 2011-12, mainly due to the increased cost of Deposits in the backdrop of an elevated interest rate environment.

12.1 Volume and Size

The deeper analysis of the study results revealed that most of the PSBs had faced the problem of excess staffing which had adversely affected their Efficiency and Profitability. However, few of the PSBs (SBI and Punjab National Vijay Bank etc.) in
the recent past have faced problem of shortage of staff arising out of large number of retirements besides faster pace of expansion undertaken by the said Banks. It is noteworthy that Private Sector Banks have not faced the issue of staff shortage.

12.2 Efficiency

The study also reveals the Efficiency ratios for both type of Banks (PBs and PBs) an optimistic movement on the expected lines. The study further brought to light that PSBs have not been technology responsive as much as their counterparts in Private Sector.

It is feared that unless the PSBs address the issue of appropriate technology adoption, it may not be able to meet the challenge posed by the new Private Sector Banks especially in the Retail Banking Segment. Better customer services supported by superior technology and improve their market share at the cost of Public Sector Banks.

The study has also revealed that PSBs lack appropriate strategic planning when compared to their Private Sector counterparts resulting in lower Operational Efficiency. PSBs need to enhance their skills especially in marketing and sales of products/services, service operations, risk management and the overall performance.

12.3 Profitability

During the year 2001-02, there was a significant improvement in the Profitability of the SCBs owing to the rise in trading profits attributable to the softer interest rate regime coupled with the containment in Operating Expenses, notwithstanding the higher provisions and contingencies. Banks have been able to maintain their profitability by containing Operating Expense.

The return ratios (ROA, ROE etc.) showed fluctuating trend for PSBs as well as for the Private Sector Banks. The analysis of Profitability indicators undertaken in the study reveals that PSBs have shown the downbeat tendency during 1992-97, shown positive trend thereafter in the performance of all the Profitability ratios. However study also reveals reasonable variable drifts.

12.4 Asset Quality

The major factors adversely impacting the Profitability of the Banks are the NPAs. The general cause of rise in NPAs has been largely due to liberal lending
norms, cyclical changes in the industries and unique unfavorable position of sectors like Energy, Infrastructure, and Mining etc. Also, due to global recessionary trends, both the Bank Groups (PSBs and PBs) have got the hit causing higher NPAs.

Asset Quality of Indian banks had generally seen a steady improvement as evident from a declining level of Gross and Net NPA ratio since 1999-00. During the last few years, writing off of NPAs was an important factor in maintaining the Asset Quality of the Banking Sector at tolerable levels. In fact, Banking Sector has written off almost 10 percent of the outstanding gross non-performing loans in 2010-11. Among Banking Groups, PSBs witnessed deterioration in Asset Quality in 2010-11, mainly due to deterioration in Asset Quality of the SBI Group. SBI Group reported the highest Gross NPA ratio in 2010-11.

12.5 Soundness

Significant improvement in the position of CRAR has been observed during the period under study across the Bank groups. All Bank groups are now maintaining CRAR above the stipulated levels. The future financial performance and market share of the Banks will depend on their ability to manage transition to a technology oriented and customer driven institutions. They further need to improve their Asset Quality, further reduce NPA levels and arrest fresh slippages of Assets to NPAs. All these factors would hold the key for better rating of the Banks.

The current study, the results and discussions thereof reveal that PSBs and Private Sector Banks are required to further improve on the several aspects discussed above and they must improve upon their strengths to gain competitive advantage.

13. SUGGESTIONS

On the basis of the current study and findings thereof, the following recommendations are offered.

1. The banks should focus on expanding Retail banking as the same will be immensely benefited from the Indian demographic dividend. The PSBs need to adopt appropriate technology and make use of the same effectively to counter the challenges posed by the new Private Sector Banks in the Retail banking Segment. Banks should make proper use of the technology for introducing innovative products/services and to increase the reach while
gaining competitive advantage. Mobile Banking should be accorded a thrust area, as it has got potential scope for Profitable Business, due to its penetration and reach.

2. Since prosperity and wealth lies in the 'Bottom of the Pyramid', Banking System should reorient its approach to 'Going Rural', which should be made new 'Marketing Mantra'. This would not only help in achieving 'Financial Inclusion' for the Banks, but would also help in expansion of banks' business and achieving 'Inclusive Growth' for our economy.

3. The next-Generation customers are expected to be large in number and would expect cost-effective Banking. This will give rise to addition of new Branches and ATMs to serve the huge addition to the said Bankable population. For this purpose, the Banks to adopt low cost Branch network model with smaller size Branches.

4. Banks may evolve new models to serve MSME sector profitably, as exposure to this sector will have adequate risk dispersion, besides growing potential for quality banking business. The success of these initiatives will in turn result in improvement of the respective market share among the Banks.

5. The Banks should initiate necessary steps to provide alternate efficient delivery channels to transform into Digital Banking System for further improvement in their customer services with an objective to achieve customer delight, which will also help in retention of the Customer. Banks should develop appropriate system to ensure better monitoring of customer perception of its service quality, identifying causes for deficiency observed in service quality and taking appropriate remedial measures to improve the same, on an ongoing basis.

6. Banks may adopt CRM and cross-selling strategies in a large scale to reduce customer acquisition costs and also to improve their risk management, which may, in the long run, prove to be cost effective.

7. Banks may take advantage of deregulation of savings interest rate and mobilize higher CASA Balances, from select customers segment, to reduce the average cost of funds and thus improving the operating margin. This is one of the strengths of New Private Sector Banks as against the constraints of PSBs
playing the role of social responsibility, which call for lower/zero minimum balance in CASA accounts.

8. Banks may initiate appropriate measures to increase their Non-Interest/Fee based income, by increasing their innovative fee based services, including merchant Banking and Investment Banking, which is expected to grow faster as the corporate would demand for more such services to access buoyant Capita Market and simultaneously improve their operating efficiency. This may require specialized skills in Marketing and sales, credit Management, Merchant Banking and other banking operations. Bank staff may be suitably trained and reoriented periodically for this purpose.

9. The Human Resources Management needs to be fine-tuned with the dynamic requirement of the Banking Sector. Especially the Public Sector banks to bring in required improvements in their HR practices gradually, in line with their counterparts in new generation Private Sector Banks, particularly towards Specialist-skills orientation. Further, the Public Sector Banks should focus on improving their Employees' productivity and reduce establishment costs with due attention towards marketing needs of the Banks. Banks in India need to focus on the various aspects to build required capabilities in them, to face the challenges posed by the dynamic Banking environment.

10. Banks must classify their major operating expenses into controllable and uncontrollable costs and evolve strategies to control the costs without adversely affecting the quality of service. This will ultimately improve the Profitability. Banks may explore the possibilities of resorting to business Process Re-engineering for this purpose.

11. In order to minimize their operational costs, banks to encourage:

(a) Use of Electronic Payment System to be encouraged and to minimize use of the Account holders may be kept to a minimum and charges may be levied by the banks beyond this number. Charges may range from moderate to steep (slab rate), depending upon the usage history of the customer. Some amount/value limit for issue of cheques by the Account holders may be fixed. If any cheque is issued beyond the said stipulated limit, charges may be levied at the time of debit of the
cheque to the account by the paying bank and such charges should be higher than the charges levied on electronic payments of similar value.

(b) **Suitable charges** may also be levied for high (both in amount and frequency) cash withdrawals and Deposits to avoid increased dependence or slippage to cash-based transactions.

(c) **Processing charges** to be levied on every Dividend/Interest warrant deposited in the account to encourage opting for electronic payment (direct credit to the account) by the Investors.

(d) In case of loans, **the practice of obtaining post-cheques should be completely stopped** and loan repayments should be through electronic payments (ECS) only. Similarly, Credit Cards repayments should also be made electronically.

12. Banks to undertake financial performance evaluation of its individual Branches from profitability point of view. **Non-viable Branches either should be merged with the** other Branches, to make the merged entity a viable unit, or to convert the same into viable satellite office.

13. **Bank should revamp their Credit Administration** to ensure that proper macro-economic analysis are being done on an ongoing basis before deciding on sectoral/group/per party credit exposures and take timely remedial measures to safeguard their interest thus avoid slippages to NPAs. Sound credit appraisal, credit risks evaluation and credit monitoring through periodic interaction with borrowers, off-site and on-site surveillance etc. could be done, to prevent the growth of NPAs.

14. Banks to strategically evolve their revised/upgraded risk management systems which should take into account the huge exposure towards infrastructure sector which may surpass the existing exposure limits of the banks.

15. The banks may scout for increasing share in Wealth Management products/facilities as the same is likely to have rapid accumulations in the years to come, due to the economic prosperity of a section of the society. The PSBs and Private Sector Banks, both to strategize to face challenges posed by the Foreign Banks in this regard and also for sustained growth.
16. The major constituents of **Good Corporate Governance** would be accountability at all levels, higher transparency and enhancing the image of organization in the eyes of the public. Therefore, the Banks need to pay required attention to Corporate Governance in the context of deregulation, prudential norms, risk-based supervision etc. This may require greater vigilance, more disclosures and strict adherence to prescribed rules, regulations and norms.

17. **NIM (Spread) should be gradually bought down** in our Country to increase the competitiveness by scaling down the interest rates. For long-term sustainability of the Indian economy, it needs to be examined seriously.

18. The Banks should **identify the present inconsistencies and gaps their Core Banking Solution** (CBS) platform and customize the same to meet the customers/staff requirements for ensuring seamless operations.

19. Banks must **focus on mobilizing more of low cost Deposits** (CASA) and lend prudently to **build up a quality asset portfolio**, as these two factors constitute the core of Banking activates while a substantial portion of Banks' income and expenditure is associated with them.

14 **SUGGESTED AGENDA FOR 3**\(^{RD}\) **GENERATION REFORMS**

The Government of India may accord top priority to take further Banking sector reforms to strengthen/consolidate the foundation of the Indian Banking System and make it strong enough to meet the challenges of globalization. The future reform process need to be so designed that it should focus on ensuring sustained viability and efficiency of the Banking System to enable it to contribute to enhance the competitiveness of the real economy and also to face challenges of an increasingly integrated Global Financial System. The future reforms should contain, among others, the following-

i. **Policy Framework for NPAs-** Suitable change in policy framework need to be introduced with an aim to reduce the level of NPAs. Increasing level of NPAs is the most challenging task faced by the Indian Banking System and the same need to be addressed appropriately.
ii. **Legal Reforms for Faster Recovery** - The Bank Managers to be empowered for recovery of small NPAs has being done by the Revenue Officials, by enforcing the revenue recovery powers by the Bank Managers which would expedite process of adjudicating smaller claims. More number of DRTs to be established. No loan waivers under any circumstances to be undertaken.

iii. **Improvement of Operational Efficiency** - Suitable measures to be introduced, to improve operational efficiencies especially for PSBs these Banks to close/merge the large number of un-remunerative/loss making Branches. Branches with low productivity and excess staffing and old traditional methods of operations/decision making to be replaced by strategic moves to gain competitive advantage.

iv. **Reducing the Entry Barriers of New Private Sector Banks** - The Government should reduce the restrictions for entry of new Private sector Banks in Indian Banking System to generate more competition which will in turn improve the quality of services.

v. **Consolidation of Indian Banking system to create Global Banking** - Given the India's GDP and the future we envision, India must have some large Banks at the global level, competitive and comparable with Global Banks. Our Country also should have some mid-size Banks and some small-sized Banks, which can penetrate more and would help in achieving greater Financial Inclusion and thus higher inclusive growth. To make few of the Indian Banks as a Global Bank, they must be supported for mergers and takeovers, so that they may consolidate their position, with respect to Capital Adequacy, size of operations and expertise to face the competition posed by the global players.

vi. **Withdrawal of Directed Lending** - The Government/RBI should review their current norms for Banks to lend 40 percent of their loans to priority sector, including agriculture, exports and the weaker sections. Instead a Rural Credit Delivery System could be devised which should not require large subvention, as is required today. Banks should also be motivated through appropriate reward cum recognition system including incorporating the same into their rating cum ranking process.
vii. **Compensation Policy**- A suitable compensation Policy may be evolved by RBI/GOI empowering the Bank Management across all the Banking Groups to offer market driven compensation to attract the required talents in the Banking Industry.

15. **CONCLUDING OBSERVATIONS**

PSBs may not be taken-up for privatization in the near future, but their Government holding could definitely be lowered. Nonetheless, over a period of time, there could be a case of privatization due to perceived inefficiency in PSBs when compared to their counterparts in Private Sector. Therefore in this study, an attempt has been made to study, analyze and compare the performance of PSBs and Private Sector Banks.

Due to increasing competition, the policy changes and the operational environment in which the Indian banking system is currently operating, there has been an increased focus on operational Efficiency and Profitability. Most of the PSBs have registered a significant improvement in their profitability, but the Private sector Banks continue to have still better Profitability.

Banking in India has fairly matured in terms of reach, product range with an exception of reach in rural India still remaining a challenge for Private sector and Foreign Banks. The demand for banking services particularly Retail Banking, mortgages and investment services are expected to grow at a faster pace. We may see some mergers and acquisitions in the near future towards consolidation of the sector. Competition has been infused into the Banking system through several measures including deregulation of interest rates, granting functional autonomy to PSBs etc. The future of PSBs would be based on their capacity to have good quality Assets and maintaining required Capital Adequacy backed with stringent prudential norms.

The recent IBA-BCG survey of Banks revealed that the level of confidence in finding profitable solutions for financial inclusion is not very high. The conventional Banking models are reportedly unviable for low ticket size, zero collateral banking Business in this segment. The paradigm shift has been from 'CSR' to 'Economic' Viability. Banks need to create a Business model for financial inclusion considering the economic imperatives and Government should support Banks with incentives for shared inoperable infrastructure and reimburse for the Government pay outs. The
Financial Inclusion is meaningless unless the rural economy is stimulated and rural infrastructure is accordingly developed. NABARD could be repositioned for this role.

PSBs have in their folds most experienced staff. However, in 2010, the average cost per Employee in the Public sector was higher than the new private sector banks. The solution for this does not lie in blind adoption of HR practices from the Private Sector. It certainly requires careful orchestration of the initiatives like steady talent induction, systemic succession planning and career management, structural adjustment in cost, empowering senior and middle management executives, Massive re-skilling, stimulation of non-officers and structured change management.

It is believed that findings of this study and the suggestions thereof given here above will immensely help the PSBs and Private Sector Banks to be more competitive and compatible in the new era of globalization.

The current study and discussions thereon, certainly reveals that the Indian Banking System is moving towards a more cohesive and strong system, capable and responding to the dynamic economy. Indian banking system needs a fresher outlook and keeping in view the various distortions on the system, it is time for the Government to introduce 3rd banking sector reforms expeditiously.

16 SCOPE OF FUTURE RESEARCH

Even though there have been countless researches which have been conducted in Indian and Abroad analyzing the performance of Commercial Banks, there still remains scope for further research in this field. The causes, impact and policy responses to the recent financial crisis also will have a major impact in guiding the scope for future research in Banking. Some of the focal areas in this regard have enumerated here below:

a) Implications of bank strategies for financial sector stability need to be studied in depth. Recent bail outs granted to few of the large banks and/or stimulus packages that have been implemented during post financial crisis, a deeper understanding of the relationship between systemic stability and safety net subsidies would be necessary.

b) Studies, focusing on financial innovation and adoption of new technologies while introducing new products/services, may be undertaken, taking into account their impact on risk taking, market returns and possible contagion.
c) Overall impact of securitization and other risk management practices on efficiency of Banks and on the allocation of risk may be taken up to evolve appropriate regulatory framework for the Banking sector.

d) Empirical research on the riskiness of alternative ownership and types of governance and their relationship with performance of banks may be undertaken.

e) Research may be carried out to illustrate ways in which Banking regulations need be designed to make capital and provisioning norms less pro-cyclical.

f) Impacts of reforms on the Banks resulting in reorganization of inter and intra-Bank Group mergers and acquisitions and strategic advantages thereof may be studied.

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