ABSTRACT

Without a sound and effective banking system in India it cannot have a healthy economy. The banking system of India should not only be hassle free but it should be able to meet new challenges posed by the technology and any other external and internal factors. Banks are important not just from the point of view of economic growth, but also financial stability. The crisis have shown that while global integration bring enormous economic and financial benefits to the emerging economies, it also widens the channels through which the slowdown of advanced economies could spread to emerging economies. Integration of financial markets in India has been facilitated by various measures in the form of free pricing, widening of participation base in markets, introduction of new instruments and improvements in payment and settlement infrastructure.

The first issue of the study is to bailout policies and programmes of Government of India through Fiscal policies and Reserve Bank of India by its Monetary Policies to combat recession. The aggressive monetary measures rescue packages undertaken would be able to secure a sound recovery for the Global Recession. The second issue is to investigate the trends and growth pattern of Indian banks before and after global recession with longer historical perspective. Profitability analysis was the third issue which is an important yardstick for measuring the efficiency, profitability is the most reliable indicator as it gives a broad indicator of the ability of a bank to raise its income level. Lastly the study examines the impact of global recession on the efficiency and productivity of Indian banks by ownership.

The major policy response to the crisis came in the form of loosening of the monetary policy and administering fiscal stimulus packages. The central government announced three successive fiscal stimulus packages. The policy stance of the RBI in the first half of the year 2008 was oriented towards controlling monetary expansion,
in view of the apparent link between monetary expansion and inflationary expectations partly due to the perceived liquidity overhang.

During the study period PSB, OPBs profitability has decreased but NPBs profitability was increased and significant, though FBs profitability was increased but it was not significant. Productivity related indicators have revealed that productivity of OPB, NPB and FBs has decreased but PSB productivity was increased. On the other hand, efficiency related variables showed that efficiency of NPB and FB was improved during the study period and other two groups have experienced efficiency decline. Finally we can say that NPB was showing positive performance in profitability compare to other group of banks, in case of productivity PSB has shown positive growth, NPB and FBs are shown outstanding performance in efficiency compare to other two groups of banks.

In empirical analysis on the second issue LNTA which have a positive effect on bank profitability if there are significant economies of scale. In the empirical results LNTA of all three bank groups was statistically significant at 1% level. On the other hand, if increased diversification leads to higher risks, the variable may exhibit negative effects. It was having negative value in parametric t test, it shows that profit has been decreased during recession period.

The empirical results reveals that the efficiency and productivity of Indian Banking Sector has declined during the financial crisis period compared to pre-crisis period. And also the different indicators of efficiency and productivity measured through the DEA Malmquist analysis have proved that the performance of public, private and Foreign Banks are not same during the study period. The results indicate that the technical efficiency, technical change, pure technical efficiency, total factor productivity of public and private banks was not decreased but the Foreign Banks were regressed.