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SUMMARY OF FINDINGS, CONCLUSION AND SUGGESTIONS

7.1 Introduction

The Indian financial landscape is dominated by the banking sector with banking flows accounting for over half of the total financial flows in the economy. Banks play a major role in not just purveying credit to the productive sectors of the economy but also as facilitators of financial inclusion. Improved performance of the banking industry in India has helped the economy to bounce back to a positive growth level. According to the Reserve Bank of India (RBI), the banking sector in India is sound, adequately capitalised and well-regulated. Indian financial and economic conditions are much better than in many other countries of the world. Credit, market and liquidity risk studies show that Indian banks are generally resilient and have withstood the global downturn well. Customer service is the backbone of banking and the banking system in India has the largest outreach for delivery of financial services. While the coverage has been expanding on a daily basis, the quality and content of dispensation of customer service is under tremendous pressure, mainly due to the increasing volumes of operations and ever increasing expectations of the customers. Commitment to hassle-free service to the customers under the oversight of the bank’s Board is necessary to ensure maximum customer satisfaction. The present study has been taken out to evaluate the performance of banking industry in general and commercial banks in particular. It covers the aspects of general performance, financial performance, technological innovation, financial inclusion and redressal mechanism.
The study has been subdivided into seven chapters consisting of introduction and design of the study, review of literature, Performance of Scheduled Commercial Banks of India, CAMEL Model for the Indian Commercial Banks, Technological Advancement of Indian Commercial Banks, Extension and Retention of Customers through Banking Services and summary of findings, conclusion and suggestions. The summary of the findings of the study is briefly described as below.

7.2 Indian Banking Industry in the Global Scenario

This chapter consists of the Indian Banking Industry in the global scenario, Indian banks are doing better than their emerging Asian counterparts, with 10 of them among Asia’s top 30 value creator banks in the past decade. In the next 10 years, banking revenues in India are likely to climb further from $56 billion in 2010 to $250 billion by 2020, contributing to more than 12 percent of Asia’s total banking revenue growth consequently, 4 or 5 Indian banks could potentially enter the global top 20 by market capitalization by 2020. Indian Banking Industry is placed 5th in the Return on Equity, 8th in the Bad Debt to Assets Ratio, 6th in Price to Book Value Ratio and 10th in Cost to Income Ratio in the global level and is placed in the last place among the chosen 12 countries in the degree of banking concentration.

7.3 Penetration of Indian Banking Services

Among the total number of bank offices, the number of offices situated in the rural area is more which constitute 41.36 percent, which is followed by the semi urban area to the extent of 23.15 percent, urban area consists of 18.69 percent and the metropolitan area to the tune of 16.80 percent. Hence, it is inferred that more number of bank offices were opened in rural areas than other areas. The correlation analysis also proves the same as it is evident from the analysis that the correlation is 0.58 for
rural area, 0.97 for urban area, and 0.92 for the semi urban area and 0.99 for the metropolitan area. However, the correlation for the total number of branches irrespective of the area in India is 0.93 showing a positive and good result. It is known from the trend analysis that the number of Commercial Banks has got a growth rate of 60 percent in the year 2013 with an average growth of 21 percent over the period from 2003 to 2013. Among the Commercial Banks group, SBI and its associates contribute 20.03 percent, Nationalized Banks 49.64 percent, Foreign Banks 0.34 percent, Regional Rural Banks 18.74 percent and Other Scheduled Commercial Banks 11.24 percent. The correlation in this regard is highly positive in all the cases and as per the magnitude it has been ranked as first for Foreign Banks (0.99), second for SBI and its associates (0.97), third and equal for Nationalized Banks (0.96) and Other SCB (0.96) and fourth for Regional Rural Banks (0.91). The same is 0.96 for the total branches too over the years from 2003 to 2013. As per the banking statistics of 2012-13, it is noted that out of the total bank branches, Public Sector Banks consist of 69.1 percent, Private Sector Banks 14.6 percent, Foreign Banks just 0.3 percent and Other Commercial Banks to the tune of 16.1 percent. Area wise 36 percent of the Commercial Banks are situated in the rural area, 26 percent in the semi urban area, 20 percent in the urban area, 18 percent in the metropolitan area and so it is inferred that the concentration of banking branches are more in the case of rural area than in other areas.

7.4 Financial Soundness Indicators of the Indian Banking System

The impact of financial market developments on banks is reflected by the trends in their various soundness indicators, namely, Return on Asset (ROA), Return on Investments, Return on Advances, Capital to Risk Weighted Assets Ratio (CRAR)
and Gross Non-Performing Assets (NPAs). The result reveals that on an average the Return on Assets the average growth is 1.07 times with a standard deviation of 0.04. Return on Investments shows a slightly fluctuating trend with the average of 7.14 times with the standard deviation of 0.49. Return on Advances has an average of 9.09 times and a standard deviation of 0.69. Gross NPA reflects a declining and healthy trend as it is going down from 5.2 to 3.4 times. The average of the same is 2.98 with the standard deviation of 0.88. Capital to Risk Weighted Assets Ratio is getting strengthened over the years and has an average of 13.13 times and the standard deviation of 0.61. The correlation is high and positive in case of Capital to Risk Assets Ratio (0.83) which is followed by Return on Advances (0.67) and Return on Assets (0.61) and the same is negative for Return on Investments (-0.74) and Gross NPAs -0.41). Y= Year (1987.969) + Return on Assets (0.053) + Return on Investments (-0.44) + Return on Advances (.138) + Gross NPAs (-0.015) + Capital to Risk Assets Ratio (0.512).

7.5 Performance Indicators of Commercial Banks in India

The performance of Commercial Banks in India has been measured through Credit Deposit Ratio, Investment Deposit Ratio and Cash Deposit Ratio ranging from the year 2001 to 2013. The analysis shows that the growth rate is more on Credit Deposit Ratio than Investment Deposit Ratio and Cash Deposit Ratio. The average Credit Deposit Ratio is 68 percent, Investment Deposit Ratio is 38 percent and Cash Deposit Ratio is 7 percent. The average growth rate indicates that Credit Deposit Ratio is having a growth rate of 27 percent, Investment Deposit Ratio 3 percent while the Cash Deposit Ratio has a declining growth rate of 15 percent. The correlation is also high for Credit Deposit Ratio (0.95), negative for Investment Deposit Ratio (-
0.59) and meager for Cash Deposit Ratio (0.22). As per the t test all the three ratios significantly differ as all the items have the calculated values more than the table value of 1.78 at 5% level of significance for the degrees of freedom 12. As per the calculated values of t, Investment Deposit Ratio tops (33.25) which is followed by Credit Deposit Ratio (24.87) and Cash Deposit Ratio (21.69). The derived equation of regression model is \( Y = a + \text{Credit Deposit Ratio} \times 0.922 + \text{Investment Deposit Ratio} \times -0.021 + \text{Cash Deposit Ratio} \times -0.146 \).

### 7.5.1 Capital Adequacy Ratio

It is seen from the table that on an average, the Scheduled Commercial Banks were able to generate a Capital Adequacy Ratio of 12.6 percent as against 12.2 percent for Public Sector Banks, 12.2 percent for Nationalised Banks and 12.8 percent for State Bank Groups. The average trend percent over the years from 1998 to 2013 show that there is an increase of 9 percent for Scheduled Commercial Banks, 5 percent for Public Sector Banks, and 19 percent for Nationalised Banks. The correlation over the years is found to be positive and high in the case of Scheduled Commercial Banks to the extent of 0.91 which is followed by 0.79 in Nationalised Banks and 0.71 in Public Sector Banks. Hence, it is noted that the performance of Nationalised Banks is good as far as the Capital Adequacy Ratio is concerned and the consistency of improvement is good in Scheduled Commercial Banks.

### 7.5.2 Financial Performance of Indian Bank Groups

*Deposits* of the Schedule Commercial Banks have witnessed significant growth in the past few years backed by the rapid growth of the Indian economy. As per the trend analysis on the total deposits, it is revealed that the growth rate has grown constantly over the years of study from 2000 to 2013 and has reached its peak
in the year 2013 to the tune of 693 percent with an average growth of 249 percent. Out of the total deposits, demand deposits constitute 15 percent whereas time deposits constitute 85 percent. The degree of correlation for demand deposits over the years is highly positive to the extent of 0.97, for time deposits also, it is highly positive to the extent of 0.96, the reflection of the same is evident in the total deposit too which has a high positive correlation of 0.97.

The growth rate of investment is high over the years and has reached a growth rate of 544 percent with an average growth rate of 206 percent whereas the Credit position has increased enormously which has crossed a growth rate of 1059 percent from the year 2000 to 2013 with an average growth rate of 371 percent. The degree of correlation for the investment over the years is high and positive to the extent of 0.97, for credit it is again high and positive to the extent of 0.96 and the relationship between credit and investment is close to perfection by reaching the level of 0.99. Hence it is ascertained that both in terms of credit and investment, the Scheduled Commercial Banks have excelled in their performance.

The priority sector advances have risen from 1557.79 billion in the year 2000 to 16411 billion in the year 2013 but the share of the same is decreased from 35.4 percent in the year 2000 to 28.8 percent in the year 2013. The trend analysis shows a growth rate of 953 percent with an average growth rate of 350 percent and the same has a declining rate of 19 percent with an average decline of 8 percent over the years from 2000 to 2013. It is understood from the analysis that on an average only 3.09 percent has been given as credit for food related items while the rest 96.91 percent has been given to non-food sector and the related activities. The data gathered and presented from the year 2004 to 2013 reveals the fact that on an average 47.51 percent
of the retail credit was vested on Housing Loan, 1.10 percent on Consumer Durables, 
3.46 percent on Credit Card Receivables and 47.94 percent on Auto Loans and Other 
Personal Loans. The correlation analysis shows a high positive result of 0.99 on 
Housing Loan, 0.97 on Auto Loans and Other Personal Loans, 0.74 on Credit Card 
Receivables and a negative correlation of -0.57 on Consumer Durables. Hence, it is 
ascertained that except the loan on Consumer Durables, other sectors of loan under 
retail sector are rising up.

The total income of SCBs has been increasing from year to year. In the sense 
that, total income of SCBs in 2002 was Rs. 1,56,590 crore and it has increased to Rs. 
8,61,400 crores in 2013 period. The total expenditure has also been increasing 
steadily as it is evident from the table that the total expenditure in the year 2002 was 
Rs. 125999 and the same is Rs. 770200 during the year 2013. On an average, 
Scheduled Commercial Banks earn 86.57 percent from Interest Income and the rest 
13.43 percent from Other Income. The degree of relationship is also more in case of 
0.97 for interest income and 0.91 for other income. The growth through trend analysis 
shows that the growth of Interest Income is much higher than the growth of other 
income.

During the years from 2002 to 2013, the earning capacity of the Scheduled 
Commercial Banks have gone up from Rs. 29814crore to Rs. 191000crore. The 
operating profit growth rate through the trend analysis reveals the fact that during the 
year 2013, the growth rate is estimated as 541 percent with an average growth rate of 
215 percent. The Net Profit growth rate through the trend analysis reveals the fact that 
during the year 2013, the growth rate is estimated as 648 percent with an average 
growth rate of 260 percent. As per the profit per employee calculation, the average
performance is high in the case of Foreign Banks (92.37) which is followed by New Private Sector Banks (0.83), Nationalized Banks (0.46), Private Sector Banks (0.43), Old Private Sector Banks (0.42) and State Bank of India Group as a whole (0.39). The average performance is high in case of Foreign Banks (136.43) which is followed by New Private Sector Banks (85.46), Nationalized Banks (81.35), Private Sector Banks (74.62), Old Private Sector Banks (64.67) and State Bank of India Group as a whole (63.55) for the business per employee.

7.5.3 Non-Performing Assets

On an average, 52.68 percent of the NPA has resulted from the Priority Sector, 46.34 percent from the Non-Priority Sector and the rest 0.89 percent from other Public Sector. The correlation analysis shows that the relationship is positive to the extent of 0.75 in case of Priority Sector, 0.46 in case of Non Priority Sector and the same is negative to the extent of -0.77 in the case of Public Sector and 0.58 for the total NPA. The average Gross NPA to Gross Advances stands at 4.99 percent in the case of Scheduled Commercial Banks, 5.30 percent in the case of Public Sector Banks, 4.89 percent in the case of Old Private Sector Banks, 3.75 percent in the case of New Private Sector Banks and 3.59 percent in the case of Foreign Banks. The average Net NPA to Net Advances stands at 2.34 percent in the case of Scheduled Commercial Banks, 2.47 percent in the case of Public Sector Banks, 2.56 percent in the case of Old Private Sector Banks, 1.83 percent in the case of New Private Sector Banks and 1.24 percent in the case of Foreign Banks.

Loan Assets of Scheduled Commercial Banks consists of 95.08 percent Standard Assets, 1.7 percent Substandard assets, 2.7 percent Doubtful Assets and 0.5 percent Loss Assets on an average which may vary from year to year. Loan Assets of
Public Sector Banks consists of 94.8 percent Standard Assets, 1.7 percent Substandard assets, 2.9 percent Doubtful Assets and 0.6 percent Loss Assets on an average. Loan Assets of Old Private Sector Banks consists of 95 percent Standard Assets, 1.6 percent Substandard assets, 2.8 percent Doubtful Assets and 0.5 percent Loss Assets on an average. Loan Assets of New Private Sector Banks consists of 96.3 percent Standard Assets, 1.6 percent Substandard assets, 1.9 percent Doubtful Assets and 0.3 percent Loss Assets on an average. Loan Assets of Foreign Banks consists of 96.3 percent Standard Assets, 1.6 percent Substandard assets, 1.2 percent Doubtful Assets and 0.9 percent Loss Assets on an average.

7.6 Financial Performance through CAMEL Model

Economic development of any country is mainly influenced by the growth of the banking industry in that country. An overview of all the measures, such as Capital Adequacy, Assets Quality, Management Efficiency, Earning Quality and Liquidity brings out that bankers from all sectors considered these measures as well as various ratios under these measures more important for measuring the performance of the banks. The researcher has taken Public Sector Banks, Private Sector Banks, Foreign Banks and Scheduled Commercial Banks for evaluation and the study reveals the following results. With reference to asset quality, Private Sector Banks both Old Private Sector Banks and New Private Sector Banks were at top most position. In context of management efficiency, Foreign Banks were positioned at first. In terms of earnings quality Foreign Banks sustained the top position. Foreign Banks were rated top in the case of liquidity position. Overall performance shows that, Foreign Banks were ranked first followed by New Private Sector Banks, Private Sector Banks, Scheduled Commercial Banks, Old Private Sector Banks, Nationalized Banks, State
Bank of India Group and Public Sector Banks. The overall ranking for the period shows that Foreign Banks have shown an improvement, while in the case of Public Sector Banks composite rank has been slipped from top to bottom. On the whole, it is observed that Foreign Banks outperformed Public Sector Banks with regard to CAMEL framework as a method of measuring and managing performance of the bank under financial measure.

7.7 Technological Innovations of Indian Banking Industry

The technology of banking transactions finds various means and ways to fulfill the needs of the customers at large. Though there are various measures adopted in banking transactions, the transactions through ATMs have been playing a vital role in making the transactions successful. The role of banks in the extension of customer services through ATMs is done by all types of banks, irrespective of their operations. The study shows that the Nationalized Banks possess 33.59 percent of the ATMs in the country, State Bank Group 28.30 percent, Old Private Sector Banks 6.27 percent, New Private Sector Banks 29.20 percent and Foreign Banks 2.64 percent. Hence, it is inferred that the Nationalized Banks play a very important role in the implementation of ATMs in the country. The overall percentage of offsite ATM is 18.18 among the total ATMs installed. The average growth rate is 264 percent, 178 percent and 208 percent respectively for onsite ATMs, offsite ATMs, and for total number of ATMs. The coefficient of correlation calculated in this regard is 0.99, 0.95 and 0.97 respectively for onsite, off site and total number of ATMs. The penetration of ATM centers is more in rural areas (33.9%), semi urban centers (22.2%), urban centers (16.5%) and metropolitan centers (15.8%) with the overall growth of 19.2 percent. The usage of electronic mode payments is comparatively low in India to the tune of
just 2.0 when compared to world level which is 14.5 percent and much lower than the High Income group which is 55.2 percent and higher than the low income group of 1.9 percent. The average growth in the trend shows that the growth is 823 percent for ECS credit, 1772 percent for ECS Debit and 1226 percent for EFT/NEFT. The number of credit cards issued by Private Sector Banks and New Private Sector Banks are comparatively more than other banks, but the overall growth rate is more for SBI group (18.18%), New Private Sector Banks (15.63%) and Private Sector Banks (14.43%). Though the Public Sector Banks have issued more number of credit cards, the growth percent in the year 2013 over the year 2012 is more for SBI group (21.79%), Public Sector Banks (21.44%), Nationalised Banks (21.39%) whereas the growth percent is negative in the case of Foreign Banks (-13.16%) as the expansion of credit cards have lowered from 3.8 million to 3.3 million. The trend on the issue of number of debit cards is on an upward swing as it has increased from 74.98 million in the year 2006-07 to 325.6 million in the year 2012-13. The trend for the same is calculated as an increase of 334 percent in the year 2012-13 with an average growth rate of 152 percent over the years. The trend on the issue of number of credit cards is on a downward swing as it has decreased from 23.13 million in the year 2006-07 to 19.64 million in the year 2012-13. The trend for the same is calculated as a decrease of 15 percent in the year 2012-13 with an average declining rate of 8 percent over the years. Banks which will understand their customers better and look to charge only for services used will benefit more than other banks. Customer-friendly products, delivery channels, easy and accessible services and competitive pricing would be the driving forces – and technology shall play a dominant role in all these. The most successful institutions will be those that combine visionary technology with strong customer centricity.
7.8 Extension of Banking Services

In India, on an average of 50.9 percent of the people avail banking services wherein 49.2 percent belong to the rural area and 55.9 percent belong to the urban area. Individually, the state of Himachal Pradesh ranks higher with 85.6 percent accessibility to bank operations which consist of 85.9 percent rural and 83.4 percent urban. During 2001-2011, the no. of HHs availing banking services overall has increased by 112 percent or a CAGR of 7.8 percent per annum. In rural areas, they have increased by 8.2 percent p.a and in urban areas by 7.2 percent p.a. The farm households not accessing credit from formal sources as proportion to total farm households is especially high at 95.91 percent, 81.26 percent and 77.59 percent in the North-Eastern, Eastern and Central Regions. The Southern and Western Regions, on the other hand, exhibit relatively better level of access to formal/non-formal sources when comparing with the All India level of 72.7 percent. This is mainly on account of spread of banking habits and a more robust infrastructure. Himachal Pradesh ranks first in reaching the people through banking services (89.1%) which is followed by Uttrakhand (80.7%), Kerala (74.2%), Uttar Pradesh (72.0%), Jammu and Kashmir (68.9%), Maharashtra (68.1%), Rajasthan (68.0%), Punjab (65.2%), Karnataka (61.1%), Gujarat (57.9%), Jharkhand (54%), Andhra Pradesh (53.1%), Tamil Nadu (52.5%), Chhattisgarh (48.8%), West Bengal (48.5%), Madhya Pradesh (46.6%), Odisha (45%), Bihar (44.5%) and Assam (44.1%). At all India level, banking accessibility has reached a level of 58.7 percent.

In view of the progress of Financial Inclusion of India, Uttar Pradesh ranks first which is followed West Bengal, Andhra Pradesh, Bihar and Maharashtra. Tamil Nadu is placed in the sixth rank in the coverage of villages through financial
inclusion. Of the total number of newly opened branches in 2012-13, 25 per cent were opened in unbanked centres; the remaining 75 per cent were opened in centres that were already banked. As per the data from the year 2010 to 2013, the average branches opened in Tier 1 city is 29 percent, Tier 6 city is 21 percent, Tier 3 city is 17 percent, Tier 5 city is 13 percent and Tier 2 city is 9 percent. The percentage of change over the years from 2010-2013 is more and highly notable in case of urban locations covered through BCs (5972%) which is followed by banking outlets in villages - other modes (4320%), ICT A/Cs-BC- Transactions (3280%), OD facility availed in Basic Savings Bank Deposit A/c (2094%) and OD facility availed in Basic Savings Bank Deposit A/c (1450%). Nearly 2, 68, 000 banking outlets have been set up in villages as on March 13 as against 67,694 banking outlets in villages in March 2010. About 7400 rural branches were opened during this period and nearly 109 million Basic Savings Bank Deposit Accounts (BSBDAs) have been added, taking the total no. of BSBDAs to 182 million. Share of ICT based accounts have increased substantially – Percentage of ICT accounts to total BSBDAs has increased from 25% in March 10 to 45% in March 13. With the addition of nearly 9.48 million farm sector households during this period, 33.8 million households have been provided with small entrepreneurial credit as at the end of March 2013. With the addition of nearly 2.25 million non-farm sector households during this period, 3.6 million households have been provided with small entrepreneurial credit as at the end of March 2013 and about 4904 lakh transactions have been carried out in ICT based accounts through BCs during the three year period.
7.9 Retention of Customers through Redressal Mechanism

The disposal rate of the complaints registered through Banking Ombudsman Scheme has recorded an average disposal rate of 93 percent. Individually, the OBOs which have recorded a high achievement are Ahmedabad (99%), Jaipur (97%), Bangalore and Patna (97%), Bhubaneswar (96%), Bhopal and Thiruvananthapuram (95%), Mumbai (93%), Kanpur (92%) and Chennai and Kolkata (91%). The disposal performance is comparatively low in Hyderabad (88%), Chandigarh and New Delhi (88%). The average complaints received from Metropolitan region is high to the tune of 41 percent which is followed by urban region 27 percent, rural region 17 percent and semi urban region 15 percent. The average number of complaints over the years stood at 3064 on all the Banking Ombudsman offices of India. In magnitude, deposit accounts constitute 7.96 percent of complaints, remittances constitute 6.85 percent of complaints, credit/debit/ATM cards constitute 22.83 percent of complaints, loans/advances constitute 9.37 percent of complaints, charges without prior notice constitute 6.09 percent of complaints, pension constitute 6.16 percent of complaints, failure on commitments constitute 15.56 percent of complaints, direct selling agents constitute 2.49 percent of complaints, notes and coins constitute 0.20 percent of complaints, others common unspecified categories constitute 15.58 percent of complaints and out of specified subject constitute 6.91 percent of complaints. From the year 2007-08 to 2012-13, Post/Fax/Courier continued to remain a popular mode of lodging complaints with OBOs with 70 percent of total complaints received through this mode. Electronic mode was preferred by 30 percent of the complainants. The average complaints received through e-mail is 10491, online 9311 and the traditional mode like letter, post-card, fax, and the like is 48694. During the year 2012-13, it may be seen that the highest number of complaints (33%) were received against SBI group
followed by other Nationalised Banks (31%), Private Sector banks (22%) and Foreign Banks (7%). Compared to last years, there was a fall of 2 percent in complaints against SBI & Associates, whereas, complaints against Private Sector Banks increased by 1 percent. It is ascertained that 33 percent of the complaints are registered against Nationalized Banks, 30 percent against SBI & Associates, 21 percent against Private Sector Banks, 9 percent against Foreign Banks, 3 percent against RRBs/ Scheduled Primary Urban Co-op. Banks and 5 percent against other banks. On an average, 63 percent of the complaints have been rejected because of various reasons. The trend on rejection of complaints is fluctuating over the years which is high to the tune of 72 percent in the year 2010-11 and then started declining with an average growth of 47 percent over the years under study. First resort complaints accounted for the highest percentage of complaints rejected (31%), the second-highest cause of rejection is due to ‘complaints outside the scheme’ which accounts for an average of 27 percent, complaints made without sufficient cause constituting 12 percent of the rejected complaints.

### 7.10 Conclusion

The economic growth of the country is an apt indicator for the growth of the banking sector. The Indian economy is projected to grow at a rate of 5-6 per cent and the country’s banking industry is expected to reflect this growth. The onus for this lies in the capabilities of the Reserve Bank of India as an able central regulatory authority, whose policies have shielded Indian banks from excessive leveraging and making high risk investments. The competitive scenario in India is strong, with the landscape primarily dominated by government banks. Market entry at the country level is expected to be tough for new players due to the moderately consolidated nature of the
industry and extremely high competition. The key challenges for the industry are to reduce NPAs, increase financial inclusion and raise capital for the Basel III compliance. These changes are mostly focussed on financial inclusion through expansion into rural areas, and bringing stability by boosting credit growth.

According to the top consulting firms, the growth of Indian banks, especially in the public sector, can be optimised through increasing productivity and efficient human resource management. Banks need to hire employees with both core and specialist skills, while simultaneously working to control attrition. Further, banks need to optimise the time and cost of performing non consumer activities with the help of special tools and revamping existing knowledge processes. Sustained government support and a careful re-evaluation of existing business strategies can help the Indian banks achieve strong growth, and become bigger and stronger, thereby setting the stage for expansions into a global consumer base.

Notwithstanding the multitude of challenges to be braved by the Indian banking sector against the backdrop of a difficult domestic and global macroeconomic environment, the regulatory responses and the inherent strengths underlying the Indian economy would ensure that the banking system withstands the transitory difficult phase and plays a positive intermediation role in supporting the financing needs of our growing economy. The study reveals that there are positive strides in all the fields of banking operations both in general performance and financial performance. The extension of banking services through the opening of bank branches is deepening very fast through various financial inclusion measures. The redressal mechanism of Banking Ombudsman is functioning well as it is revealed from the speedy and high disposal rate. Hence, it is concluded that the Scheduled Commercial Banks of India is playing vital role in extending its
services through various means and ways by extending its customer services to the needy and thereby bringing stability to the National Economy.

7.11 Suggestions

1. Extension of Bank Branches: Extension of bank branches is good and deepening year by year as per the figures given in RBI reports. At the same time the intensification of the bank branches to the rural areas still needs concentration as it is inadequate to meet the vast needs of the rural population. Likewise, the existence of Foreign Banks are also comparatively low and is mainly situated in Metropolitan areas only. More branches of Foreign Banks can also be established to render services to the rural poor of Indian villages. Region wise, North-Eastern Region needs more new branches of banks as it shows a low penetration of bank branches.

2. Financial Soundness Indicators of the Indian Banking System: The soundness of the Indian Banking Sector is measured in terms of Return on Assets, Return on Investments, Return on Advances, Gross NPAs and Capital to Risk Weighted Assets Ratio. Among them, it is good to note the declining rate of NPAs whereas, the return on investment is also lowering. Hence, efforts should be taken to improve the Return on Investments to attract more customers. Similarly, steps should be taken to improve the Investment Deposit Ratio and Cash Deposit Ratio.

3. Priority Sector Advances: Though the amount issued under Priority Sector Advances is on the increase, the proportion of the same in the total advances is on decrease as per the analysis. Besides giving impetus to other priority sector advances, banks should lay stress on agricultural and small scale industries advances also, as their performance is deteriorating in this regard. Considering the importance of
priority sector advances where agriculture is the major occupation, it is suggested that the commercial banks should make committed efforts to achieve the national targets for agriculture sector, so that the major proportion of beneficiaries may be benefited. Proportion of Retail Credit to Consumer Durables can be enhanced to reach more customers.

4. Non-Performing Assets: In the present scenario NPAs are at the core of financial problem of the banks. Concrete efforts have to be made to improve recovery performance. Measures required to be undertaken are mainly two fold. Banks should make efforts first to avoid fresh addition on NPAs by their effective presentation appraisal and secondly to recover the amount from accounts which have already turned bad. Non-Performing Assets for Priority Sector is more than the Non Priority Sector as per the analysis. It is inferred from the analysis that though the general performance is better in reducing the level of NPA among banks, the Net NPA to Net Advances but the Public Sector Banks, Scheduled Commercial Banks and Old Private Sector Banks need more attention in reducing the NPA level. Most of the bankers feel that genuine viability problem of the borrowing units, weakness in credit appraisal system, absence of effective monitoring and supervision of loan account, absence of credit information sharing among the banks etc. are some of the significant causative factors of high level of NPAs internal to the banks. Proper credit monitoring should be emphasized. There should be proper flow of information from the units regarding their financial area, annual accounts, stock reports etc., which would enable the banker to know the need based credit requirement of borrower and warning signals for taking quick remedial action. Banks should inspect the progress of the project or the business. Separate monitoring department should be established in large branches
for periodical review of accounts, comparative risk analysis and compliance of terms and conditions of sanction. Equal emphasis should be given for monitoring of standard assets also. Banks should be equipped with latest credit risk management techniques to protect the bank funds and minimize insolvency risks.

5. **Globalisation:** Globalisation has brought fierce competition from international banks. In order to compete with new entrants effectively, commercial banks need to possess strong balance sheets which indicate the real strength of the bank. The entry of new private sector banks and foreign banks equipped with latest technology and technology-driven product lines have really sensitized the ordinary customers of the banking services to the need for quality in terms of innovative products as well as delivery process. These banks are aggressively targeting the retail business and consequently grabbing the market share of public sector banks. Hence, to compete with the competitive area, the existing banks should improve their performance by the introduction of new technology.

6. **Risk Management:** Globalization and liberalization are forcing banks to take more risks to compete effectively in the global market place. One of the important risks is compliance risk. It is the risk to comply with laws, rules and standards such as market conduct, treating customers fairly, etc. To mitigate this risk, banks should develop compliance culture in their organization. It is not only the duty of compliance specialists, but also of the banks. They can manage compliance risk by putting in place compliance functions that are in consistence with compliance principles. Liquidity risk arises when banks are unable to meet their obligations when they become due. To manage the mismatch of assets and liabilities, banks should analyse the accounting data both on static as well as dynamic basis. Deposits of higher value
are the most important item to be monitored regularly, as sudden withdrawal of these deposits might cause liquidity problem for the bank. Also incentives to these deposits in the time of falling interest rates could create strain on liquidity.

7. Innovations in Customer Services: Satisfied customer is the best guarantee for stability of the organization in the long-run. Banks can satisfy their customers only by providing customised, cost effective and timely services. With the help of technology, banks are able to provide plethora of products and services to their customers which suit them. Major services provided by the Indian banks that are of international standards are: Any time banking, Anywhere banking, Global ATM and Credit Cards, Internet Banking facility and so on. Customers desire the banks to be customer centric in all their dealings with the customers. To ensure a fair treatment from the banks, every bank should have a transparent policy outlining the fair treatment to customers in the various dealings in addition to compliance with the provisions of mandatory RBI guidelines, circulars and the voluntary BCSBI Code to which the banks have subscribed. Any deficiency in implementation must undergo systemic correction under the directive of RBI.

8. Fair Treatment to Customers: Every citizen of this country has a right to fair and equal treatment in law as well as in the market place. The pricing freedom and deregulation of interest rates conferred on the banks was not in the nature of unbridled freedom given to them. It was with the explicit conditions that the banks will be treating their customers fairly, in a transparent and non-discriminatory manner while pricing their products / services. Further, the expectation of fair treatment to customers was tempered with the Board level approval of reasonableness of charges. Notwithstanding this dispensation, the bank’s Head Offices and the Offices of the
Banking Ombudsman continue to be flooded with complaints arising out of unfair treatment / unreasonableness of service charges and so on. The role of the Board of Directors is very significant in this area. The complaints / grievances must be used as a feedback mechanism to make corrections in the policy / procedures being adopted by banks instead of trying to justify a wrong action at the cost of the depositors / stakeholders.

9. Customer Education: Special efforts are required to educate the customers in the use of technology in banking. Banks should make use of Print media, Television, All India Radio for this purpose. Short training programmes at the branch level can also be arranged for customers. Transparency to the customer in levying of various fees / service charges and penalties is required. Establishing a proper customer grievance / assistance centre which works in an integrated manner across channels like – branches, call centres, IVR, internet and mobile is needed. The personnel in the call centres who receive the grievances should be empowered to make decisions. Use of various technology channels for customer education and gathering suggestions will help in improving the services. Customers should be adequately educated on all the products sold by a bank as customer protection is best given through customer education. Bank customers should be made aware of their rights in respect of all banking products. A Financial Literacy and Counselling Centre should be available in every block in the country to assist informed decision making of the bank customers.

10. Extension of Banking Services: The use of business correspondents as the extended arms of banks, both for outreach and for enhancement of customer service has not been visible. The full range of services has not been transferred to the business correspondents at places where they have been engaged. Financial Inclusion is an
effort to offer economic opportunities to vast majority, so that prosperity touches more lives. Banking sector has to play a major role in Financial Inclusion by delivering financial services at an affordable cost. Expanding banking cover can result in extending better economic opportunities directly and not via leaky intermediaries. The banks must use innovative conduit like mobile banking based access to funds and financial services. Rural customers see banks as vehicles of socio-economic development and expect a very pro-active and supportive role in this regard from them.

11. Internet Banking: There should be a secure total protection policy / zero liability against loss for any customer induced transaction utilising technology through ATMs/POS/Online banking etc. A customer should not be made to be out of funds when any loss is suffered on account of Net/ATM banking transactions. All the rules in respect of internet banking should be so designed as to encourage consumers to feel safe about electronic transactions. Banks have to necessarily ensure that all internet banking is made fail-safe by putting in place robust and dynamic fraud detection and prevention systems. Computerised / network delivery channels should have enhanced customer ease of operations and reduced costs for banks. Banks have to put in place fail-safe security systems for access, transactions etc. to increase the confidence of the bank customers to enable migration to electronic medium from conventional banking. The banks must ensure that the customers have the confidence in the systems that are being offered to them.

12. Internal Grievance Redressal System in Banks: Banks should ensure that a suitable mechanism exists for receiving and addressing complaints from its customers/constituents with specific emphasis on resolving such complaints fairly
and expeditiously regardless of the source of the complaints. Banks should ensure that the complaint registers are kept at prominent places in their branches which would make it possible for the customers to enter their complaints. A complaint /suggestion box should be provided at each office of the bank, a notice can be placed requesting the customers to meet the branch manager regarding grievances, if the grievances remain un-redressed. A complaint form should be provided along with the name of the nodal officer for complaint redressal, in the homepage itself of the bank’s website to facilitate complaint submission by customers. A system of acknowledging the complaints, where the complaints are received through letters / forms and fixing time frame for resolving the complaints received at different levels can be formed.

13. Extension of Banking Ombudsman Offices: Presently, there are 15 Banking Ombudsman Offices in major state capitals having jurisdiction over the entire country. Several states do not have a BO office. It is not possible for the customers who belong to other states to interact with the far away BO offices. RBI should therefore ensure that there is an Office of Banking Ombudsman in every state of the country. The applicability of the scheme is limited to Commercial Banks/RRBs/ Scheduled Urban Banks. As customers of co-operative banks all over the country expressed the need for such a scheme for the co-operative sector, RBI may take up suitably with NABARD for evolving an Ombudsman Scheme suitable for redressing the grievances of the customers of the Co-operative banking institutions not covered under RBI scheme. As per analysis, it is revealed that still customers depend on the traditional pattern of complaint like letters and so proper education should be given to the customers regarding the redressal mechanism and the recovery procedures.