CHAPTER ~ 6
CHAPTER – 6

SUMMARY, FINDINGS & SUGGESTIONS

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SUMMARY SUGGESTIONS & FINDINGS

6.1 SUMMARY

Banking Industry in India has gone through different phases since the 19th century when it appeared for the first time as private sector institutions financing trade and commerce. After independence, the direction of banking changed and it took upon itself the responsibility of economic development of the country. Since that period, the banking activity spread all over the economy along with an increase in the volume of business. But now that the forces of change have been unleashed in the Indian Economy over the last couple of decades, they have transformed the operating environment across the entire spectrum of businesses. This coincided with the rapid development in technology and created an opportunity to innovate in product offerings to the customers and also to improve the overall efficiency, and the challenges of keeping pace with change and gaining the first mover advantage.

Within the banking sector, increasing competition and growing risks does remain the major challenges. The competition for market share is increasing the pressure on profitability and forcing the banks to control costs, specially the transaction costs and improve its overall efficiency. Profitability, capital adequacy, liquidity and management efficiency are therefore the critical objectives to be aimed at. In current market situation, credit risk along with market risk and operational risk are the real challenges before banks.

Due to the effect of liberalization, privatization and globalization policy there has not only been rapid expansion in the number of banking institutions in the country, but even the banking horizon of the country has also changed to the significant effect. In view of the fact that the public sector banks that have been operating in an extremely protected economic environment and may lose out in the wave of competition from old and new private sector banks in India. Various financial assistance schemes for capital restructuring of the economically
weak public sector banks were introduced during last decade. Besides that, the public sector banks were also given time to meet the prudential and capital adequacy norms as well as norms to manage NPA. So, most of the public sector banks are now working on the concept of universal banking and service oriented banking. The whole process of reforms has intensified competition leading to overall improvement in financial performance.

In the last decade the public sector banks have also taken many steps to face the competition given by the private sector banks. The banking is no longer the traditional concept of accepting deposits and lending loans. The horizons have widened up and banks now offer a wide range of products to its customers. The concept of innovative banking which was initially introduced by the new private sector banks is now adopted even by the public sector banks. The banks are now providing large network of ATMs, has introduced the net banking, provides debit and credit cards to its customers, believes in personal banking and customer loyalty, provides different deposit schemes to the customers to suit their needs and many other services. The banks have introduced even mobile apps to suit the comfort level of customers. The major focus of banks is just not only on the profitability and liquidity but has extended to capital adequacy, management efficiency, asset quality and earnings quality.

The present research has made an attempt to study ‘The Financial Performance Appraisal of the Indian Banking Sector’ on the basis of six selected banks three from public sector i.e. State Bank of India, Bank of Baroda and Punjab National Bank and three banks from public sector i.e. Axis Bank, HDFC Bank and ICICI Bank. The banks selected are the largest three banks in public sector and private sector banking respectively. The study is undertaken with respect to CAMEL model. The five major variables of CAMEL model have been analyzed in the study i.e. Capital Adequacy, Asset Quality, Management Efficiency, Earnings Quality and Liquidity. The major objectives of the study are as under:

1. To study the present position of capital adequacy of selected public and private sector banks.
2. To study the asset quality of selected public and private sector banks.
3. To study the management efficiency of selected public and private sector banks.
4. To study the earnings quality of selected public and private sector banks.
5. To study the liquidity of selected public and private sector banks.

In this study, the financial performance of selected banks has been evaluated. The selection of banks has been divided into two groups, public and private banks. The researcher has taken three banks from public sector banks and three banks from private sector banks. For each bank and each group, different types of parameters have been used with the help of ratios to evaluate the financial performance for the period of study.

The research work has been divided into six chapters with five major parameters: Capital Adequacy, Asset Quality, Management Efficiency, Earnings Quality, and Liquidity. Analysis has been done to study the significant difference in the above variables as among the banks and as among the public sector and private sector banks.

6.2 FINDINGS

As per the application of the CAMEL model in the analysis of the banking sector, the following findings were noted in the research:

6.2.1 MANAGEMENT OF CAPITAL ADEQUACY

Strong banking infrastructure is important to support economic activity and meeting financial needs of all sections of society. Capital Adequacy is the first variable of CAMEL model analyzed which ensures the financial soundness of banks. The attempt is to study the significant difference in capital adequacy among the selected banks and also to verify if there is significant difference in capital adequacy between private sector and public sector banks the capital adequacy variable is analyzed using three different ratios.

The first ratio used to study the capital adequacy of banks is the capital adequacy ratio which measures the proportion of Tier I and Tier II capital to the risk-weighted assets. The major findings are:

a) There is a significant difference in Capital Adequacy ratio among the selected banks.
b) There is a significant difference in Capital Adequacy ratio among selected private sector and public sector banking group.

**FIGURE-6.1**

**AVERAGE CAPITAL ADEQUACY RATIO OF SELECTED BANKS DURING STUDY PERIOD**

The private sector banks maintain higher proportion of CAR as compared to public sector banks. ICICI bank maintains the highest CAR i.e. 17.7% and BOB has maintained the lowest CAR i.e. 12.28% in 2013-14. Private sector banks has shown increasing trend in CAR over a period of last 10 years whereas the public sector banks have shown stable trend of CAR over a period of last 10 years. The CAR of private banks revolves around 16% to 17% and that of public sector banks revolve around 12%.

The second ratio used to study the capital adequacy of banks is Advances to Total Assets ratio which measures the proportion of Advances to the Total Assets of the bank. The major findings are:

a) There is no significant difference in Advances to Total Assets ratio among selected banks.

b) There is significant difference in Advances to Total Assets ratio among selected private sector and public sector banking group.
Advances to Total Assets ratio of public sector banks is slightly higher than private sector banks. The highest ratio is maintained by SBI i.e. 0.68 and the lowest ratio is exhibited by ICICI banks i.e. 0.57 in 2013-14. Almost every bank has shown the increasing trend of Advances to Total Assets ratio over a period of last 10 years except for ICICI bank which has shown the stable trend of the ratio over a period of last 10 years.

The third ratio used to study the Capital Adequacy is Advances to Loan Funds ratio which shows the proportion of Total Advances to the Loan Funds. The major findings are:

a) There is no significant difference in Advances to Loan Funds ratio among the selected banks.

b) There is no significant difference in Advances to Loan Funds ratio among selected private sector and public sector banking group.
Both public sector and private sector banks have maintained the same proportion of Advances to Loan Funds ratio. The highest ratio is exhibited by HDFC bank i.e. 82.33% followed by SBI i.e. 82.04% and the lowest ratio is shown by BOB i.e. 71.78% in 2013-14. Almost every bank has shown an increasing trend of Advances to Loan Funds ratio over a period of last 10 years except ICICI bank whose ratio is almost stable during last 10 years except in the year 2009-10 which showed a major dip to 58.57%.

The overall effect of three ratios is analyzed to study the effect on Management of Capital Adequacy of banks. The major findings are:

a) There is no significant difference in the Capital Adequacy among the selected banks.

b) There is no significant difference in the Capital Adequacy among the selected private sector and public sector banking group.
6.2.2 MANAGEMENT OF ASSETS QUALITY

Assets Quality is one of the aspects of management that involves the evaluation of banks assets to facilitate the measurement of level and size of credit risk associated with its operation. Assets Quality is mostly referred to loan quality. Problems of asset quality may become future time bomb for banks and so the standards of soundness and safety are required to set up asset quality monitoring system. The second variable of CAMEL model i.e. Assets Quality is analyzed using three ratios.

The first ratio used to study the Assets Quality is Gross NPAs to Total Advances ratio which shows the proportion of Gross NPAs of the banks to the Total Advances. The major findings are:

a) There is a significant difference in Gross NPAs to Total Advances among the selected banks.

b) There is a significant difference in Gross NPAs to Total Advances among the selected private sector and public sector banking group.
Gross NPAs to Total Advances of private sector banks is better than public sector banks. The lowest Gross NPAs to Total Advances is exhibited by HDFC bank i.e. 0.99% and the highest Gross NPAs to Total Advances is shown by PNB i.e. 5.41%. The Gross NPAs to Total Advances of SBI and BOB have shown an increasing trend over a period of last 10 years whereas HDFC bank is the only bank that has shown the decreasing trend of NPAs to Total Advances over last 10 years. The remaining three banks i.e. ICICI bank, AXIS bank and BOB has shown almost stable trend over a period of last 10 years.

The second ratio used to study the Asset Quality is Net NPAs to Total Assets ratio which shows the proportion of Net NPAs to Total Assets of the banks. The major findings are:

a) There is a significant difference in Net NPAs to Total Assets ratio among the selected banks.

b) There is a significant difference in Net NPAs to Total Assets ratio among the selected private sector and public sector banking group.
Net NPAs to Total Assets of private sector banks is better as compared to public sector banks. The lowest Net NPA to Total Asset ratio is shown by HDFC bank i.e. 0.17% the highest ratio is shown by PNB i.e. 1.8%. The Net NPAs to total Assets of AXIS bank and ICICI bank have shown decreasing trend over a period of last 10 years. The ratio of all public sector banks have shown increasing trend over the study period especially PNB whose Net NPA to Total Asset ratio have increased from 0.09 in 2004-05 to 1.8 in 2013-14 which is 20 times increase. HDFC bank has almost shown stable trend over last 10 years except a high of 0.34 in 2008-09.

The third ratio used to study the Assets Quality is Net NPAs to Net Advances ratio which shows the proportion of Net NPAs to Net Advances. The major findings are:

a) There is a significant difference in the Net NPAs to Net Advances ratio among the selected banks.

b) There is a significant difference in the Net NPAs to Net Advances ratio among the selected private sector and public sector banking group.
The Net NPAs against Net Advances ratio of private sector banks is better as compared to public sector banks. The lowest proportion of Net NPAs to Net Advances is shown by HDFC bank which is 0.27 and the highest proportion is shown by PNB which is 2.85 for the year 2013-14. HDFC bank and ICICI bank have shown decreasing trend of Net NPAs to Net Advances over a period of last 10 years whereas AXIS bank, SBI and BOB have shown stable trend over a period of last 10 years. The only bank showing the increasing to of the ratio is PNB whose Net NPAs to Net Advances ratio has increased from 0.2 in 2004-05 to 2.85 in 2013-14, the increase being almost 14 times.

The overall effect of three ratios has been analyzed to study the significant difference in management of Assets Quality between banks as well as between public sector and private sector banks. The major findings are:

a) There is a significant difference in the Management of Assets Quality among the selected banks.
b) There is a significant difference in the Management of Assets quality among the selected public sector and private sector banking group.

6.2.3 MANAGEMENT’S EFFICIENCY

The management’s efficiency refers to the banks ability to maximize profits and minimize cost under the given circumstances. Most common definition of management’s efficiency refers to the cost efficiency which refers to the banks ability to avoid unnecessary costs. The management must be able to utilize the available resources to the most effective manner such that it will result into cost effectiveness and increase in the earnings capacity. To study the third variable of CAMEL model i.e. Management’s Effeciency the following five ratios have been analyzed.

First ratio analyzed to study the Management’s efficiency is Credit Deposit ratio which shows the proportion of Total Advances to Total Deposits. The major findings are:

a) There is a significant difference in the Credit Deposit ratio among the selected banks.
b) There is a significant difference in the Credit Deposit ratio among the selected private sector and public sector banking group.
The private sector banks have maintained higher Credit Deposits ratio as compared to public sector banks BOB and PNB with SBI being an exception. The highest Credit Deposits ratio is maintained by ICICI bank i.e. 100.71 whereas the lowest ratio is maintained by BOB 69.54 in the year 2013-14. Almost every bank has shown the increasing trend in Credit Deposits ratio over a period of last 10 years except ICICI bank which has shown the stable trend over a period of last 10 years.

The second ratio used to analyze the management’s efficiency is the Business per Employee ratio which shows the proportion of Total Business to the total number of employees of the bank. The major findings are:

a) There is a significant difference in Business per Employee ratio among the selected banks.

b) There is no significant difference in Business per Employee ratio among the selected private sector and public sector banking group.
Business per Employee of public sector banks is better as compared to private sector banks. The highest Business per Employee ratio is shown by BOB i.e. 18.65 and the lowest ratio is shown by ICICI bank i.e. 7.47 in 2013-14. All the public sector banks have shown an increasing trend of Business per Employee over a period of last 10 years. Business per employee ratio of all public sector banks have almost increased by 5 to 6 times over a period of last 10 years. Business per Employee ratio of AXIS and HDFC bank have shown a stable trend and ICICI bank has shown slightly decreasing trend of the ratio over a period of last 10 years.

The third ratio used to analyze the management’s Effeciency is Profit per Employee ratio which is obtained by dividing the net profit of the bank by the total number of employees of the bank. The major findings are:

a) There is a significant difference in the Profit per Employee ratio among the selected banks.

b) There is a significant difference in the Profit per Employee ratio among the selected private sector and public sector banking group.
Profit per Employee as shown by private sector banks is higher as compared to public sector banks. The highest ratio is shown by AXIS bank i.e. 0.15 followed by HDFC bank 0.14 ad the lowest ratio is shown by SBI and PNB which is 0.05 in 2013-14. Almost all the banks have shown increasing trend of profit per employee over a period of last 10 years. But the increase in Business per Employee for private sector banks is higher as compared to public sector banks.

The fourth ratio used to analyze Management’s Efficiency is the Net Interest Income to Total Funds ratio which shows the proportion of Net Interest Income to Total Funds of the bank. The major findings are:

a) There is a significant difference in the Net Interest Income to Total Funds ratio among the selected banks.

b) There is no significant difference in the Net Interest Income to Total Funds ratio among the selected private sector and public sector banking group.
Net Interest Income to Total Funds shown by public sector banks is very much similar to private sector banks with an exception to BOB. The highest ratio is shown by HDFC banks i.e. 4.14 and the lowest ratio is shown by BOB i.e. 1.98 for the year 2013-14. All the private sector banks have shown an increasing trend of Net Interest Income to total Funds ratio whereas all the public sector banks have shown a decreasing trend of the ratio over a period of last 10 years. The major increase is shown by ICICI bank from 1.93 in 2004-05 to 2.91 in 2013-14. The major decline is shown by BOB from 3.31 in 2004-05 to 1.98 in 2013-14.

The fifth ratio used to analyze to Management’s Efficiency is total Assets Turnover ratio which shows the proportion of total business to total assets of the bank. The major findings are:

a) There is a significant difference in the Total Assets Turnover ratio among the selected banks.

b) There is a significant difference in the Total Assets Turnover ratio among the selected private sector and public sector banking group.
The private sector and public sector bank show the similar Assets turnover ratio with an exception of BOB whose Assets Turnover ratio is lower as compared to the other banks. The highest Assets Turnover ratio is shown by ICICI bank i.e. 0.09 and the lowest ratio is shown by BOB i.e. 0.06 in 2013-14. There has not been much change in the Total Assets turnover ratio of the banks over a period of last 10 years except a slight fluctuation shown by HDFC bank whose ratio had increased to 0.13 in 2008-09, the highest ratio shown by any bank in any of last 10 years.

The overall effect of all the five ratios was studied to analyze the effect on Management’s Efficiency. The major findings are:

a) There is a significant difference in Management’s Efficiency among selected banks.

b) There is a significant difference in Management’s Efficiency among the selected private sector and public sector banking group.

6.2.4 MANAGEMENT OF EARNINGS QUALITY

The Earnings Quality refers to the quantity and quality of incomes earned by the bank. The composition and extent of interest and non interest incomes is very...
important to measure the earnings quality of the bank. Operating profit too depend upon the earnings quality which is the byproduct of management’s efficiency. The fourth variable of CAMEL model i.e. Earnings Quality has been analyzed using the following four ratios.

The first ratio used to analyze to Earnings Quality is Operating Profit to Average Working Funds ratio which shows the proportion of operating profits to average working funds of the bank. The major findings are:

a) There is a significant difference in Operating Profits to Average Working Funds ratio among the selected banks.

b) There is a significant difference in Operating Profits to Average Working Funds ratio among the selected private sector and public sector banking group.
The Operating Profits to Average Working Funds ratio of private sector banks is higher as compared to public sector banks. The highest ratio is shown by HDFC bank i.e. 3.39 and the lowest ratio is shown by BOB i.e. 1.61 in the year 2013-14. All the private sector banks have shown an increasing trend of Operating Profits to Average Working Funds ratio over a period of last 10 years. As far as public sector banks are concerned all the banks have shown a decreasing trend of the ratio over a period of last 10 years.

The second ratio used to analyze the Earnings Quality is the Net Interest Margin to Total Assets ratio which shows the proportion of net interest margin (interest income-interest expense) to total assets of the bank. The major findings are:

a) There is a significant difference in Net Interest Margin to Total Assets ratio among the selected banks.

b) There is no significant difference in Net Interest Margin to Total Assets ratio among the selected private sector and public sector banking group.
The proportion of Net Interest Margin to Total Assets of private sector banks and public sector banks is almost similar with an exception to BOB whose net interest margin to total assets is lower as compared to other banks. The highest Net Interest Margin to Total Assets ratio is shown by HDFC bank i.e. 3.76 and the lowest ratio is shown by BOB i.e. 1.81. AXIS bank and ICICI banks have shown an increasing trend of the ratio over a period of last 10 years whereas HDFC bank has shown a stable trend of the ratio over last 10 years period. All the public sector banks have a decreasing trend of the ratio over last 10 years. The decline shown by BOB is much higher as compared to SBI and PNB. The decline shown by BOB is almost 40% during last 10 years.

The third ratio used to study the Earnings Quality is Non Interest Income to Total Income which shows the proportion of income from operations to the total income of the banks. The major findings are:

a) There is a significant difference in the Non Interest Income to Total Income ratio among the selected banks.

b) There is a significant difference in the Non Interest Income to Total Income ratio among the selected private sector and public sector banking group.
The proportion of Non Interest Income to Total Income of all private sector banks is higher as compared to the public sector banks. The highest proportion of Non Interest Income to Total Income is shown by AXIS bank i.e. 19.46 followed by ICICI bank 19.1 and the lowest ratio is shown by PNB i.e. 9.58 in the year 2013-14. The AXIS bank and ICICI bank shows stable trend of the ratio over a period of last 10 years whereas HDFC bank has shown a slightly decreasing trend. All the public sector banks have shown the decreasing trend of the ratio over the study period of 10 years.

The fourth ratio used to analyze to Earnings Quality is the Net Profit to Total Income ratio which shows the proportion of Net Profit to the total income of the bank. The major findings are:

a) There is a significant difference in the Net Profit to Total Income ratio among the selected banks.

b) There is a significant difference in the Net Profit to Total Income ratio among the selected private sector and public sector banking group.
The proportion of Net Profit to Total Income shown by all the private sector banks is higher as compared to public sector banks. The highest proportion of Net Profit to Total Income ratio is shown by ICICI bank i.e. 17.97 followed by HDFC bank 17.29. And the lowest ratio is shown by PNB i.e. 6.99 in the year 2013-14. AXIS bank and ICICI banks have shown increasing trend of the ratio over study period of last 10 years whereas HDFC bank has shown the stable trend of the ratio. SBI and PNB have shown decreasing trend of the ratio over study period of 10 years. BOB have shown more fluctuations of the ratio during study period of 10 years. The ratio had increased up to 17.18 in 2010-11 and is 10.46 in 2013-14.

The overall effect of all four ratios was studied to analyze to the Earnings Quality Management of selected banks. The major findings are:

a) There is a significant difference in Earnings Quality Management among the selected banks.

b) There is a significant difference in Earnings Quality Management among the selected private sector and public sector banking group.
6.2.5 MANAGEMENT OF LIQUIDITY

The liquidity refers to the practice of managing risk that arises due to the mismatch between assets and liabilities. It is not just about finding solutions to manage the risk arising from the interactions of assets and liabilities but is focused on long term aspect. Success is the process of maximizing assets to meet liabilities which may increase profitability. The traditional liquidity approach focuses on interest risk rate and liquidity risk as they represent the most prominent risks affecting banks balance sheet. The fifth variable of CAMEL model i.e. liquidity is analyzed with the help of following four ratios.

The first ratio used to study the liquidity is the Liquid Assets to Total Assets ratio which shows the proportion of liquid assets to the total assets of the bank. The major findings are:

a) There is a significant difference in Liquid Assets to Total Assets ratio among the selected banks.

b) There is a significant difference in Liquid Assets to Total Assets ratio among the selected private sector and public sector banking group.
The proportion of Liquid Assets to Total Assets of private banks is similar to public sector banks with an exception to BOB whose proportion of liquid assets to total assets is much higher as compared to other banks. The highest ratio of liquid assets to total assets is shown by BOB i.e. 19.84 and the lowest ratio is shown by ICICI bank i.e. 6.96 in the year 2013-14. The proportion of liquid assets to total assets of AXIS bank showed decreasing trend of study period of 10 years. ICICI bank, HDFC bank, SBI and PNB have shown stable trend of the ratio over study period of 10 year except some fluctuations in some particular years. BOB is the only bank that shows the increasing trend of the ratio over study period of 10 years. The ratio has almost doubled over the study period for BOB.

The second ratio used to study the liquidity is the Liquid Assets to Total Deposits ratio which shows the proportion of liquid assets against the total deposits of the bank. The major findings are:

a) There is a significant difference in the Liquid Assets to Total Deposits ratio among the selected banks.

b) There is no significant difference in the Liquid Assets to Total Deposits ratio among the selected private sector and public sector banking group.
The proportion of liquid assets to total deposits is same for public sector and private sector banks with an exception to BOB whose proportion of liquid assets to total deposits is much higher as compared to other banks. The highest ratio of liquid assets to total deposits is shown by BOB i.e. 23.01 and the lowest ratio is shown by SBI i.e. 9.51 in the year 2013-14. BOB is the only bank that has shown the increasing trend of the ratio over the study period of 10 years, the ratio has almost doubled over study period. The ratio of AXIS bank shows the decreasing trend of liquid assets to total deposits over study period of 10 years. The ratio of other four banks i.e. ICICI bank, HDFC bank, SBI and PNB has shown the stable trend of liquid assets to total deposits over the study period of 10 years.

The third ratio used to study the liquidity is current ratio which shows the proportion of current asset to current liabilities of the bank. The major findings are:

a) There is a significant difference in the current ratio among the selected banks.

b) There is a significant difference in the current ratio among the selected private sector and public sector banking group.
The proportion of current ratio of private sector banks is higher as compared to public sector banks. The highest current ratio is exhibited by ICICI bank i.e. 0.09 and the lowest ratio is shown by BOB and PNB i.e. 0.02 in the year 2013-14. AXIS bank and PNB has shown the decreasing trend of current ratio over the study period of 10 years whereas ICICI bank is the only bank which shows the increasing trend of current ratio over study period of 10 years. The other three banks i.e. HDFC bank, SBI and BOB have almost shown a stable trend of current ratio over study period of 10 years.

The last ratio used to study the liquidity is the Liquidity ratio which shows the proportion of Liquid Assets to the Liquid Liabilities of the bank. The major findings are:

a) There is a significant difference in the Liquidity ratio among the selected banks.

b) There is a significant difference in the Liquidity ratio among the selected private sector and public sector banking group.
The proportion of liquidity ratio is higher in public sector banks as compared to private sector banks. The highest liquidity ratio is exhibited by PNB i.e. 25.19 followed by BOB i.e. 24.05 and the lowest liquidity ratio is shown by HDFC bank i.e. 8.55 in the year 2013-14. Almost all the banks have shown the increasing trend of the liquidity ratio over the study period of 10 years. The highest increase is shown by PNB whose ratio has increased from 5.98 in 2004-05 to 25.19 in 2013-14, the increase being more than four times.

The overall effect of all the four ratios was studied to analyze the management of liquidity of banks. The major findings are:

a) There is a significant difference in the Liquidity Management among the selected banks.

b) There is a significant difference in the Liquidity Management among the selected private sector and public sector banking group.
6.3 SUGGESTIONS:

There are some suggestions derived from the analytical study of the financial performance of the selected banks using CAMEL model. As such this chapter offer new suggestions for the increasing profitability, liquidity and proper capital structure decision of banking industry in India.

1) The public sector banks have shown low profitability rate on average working funds as compared to the private sector banks. It is therefore suggested to the public sector banks to increase the profitability rates. Over and above the public sector banks have shown a decreasing trend of profit on average working funds which is a matter to worry. As a result of decreasing trend of profit the earning per share will be adversely affected and the rate of dividend would be affected as well. Therefore the public sector banks should take necessary steps to achieve the rate of profitability equal to private sector banks and to make the trend of profitability positive.

2) Business per employee of public sector banks is much higher as compared to the private sector banks. This raises the question on management’s efficiency of private sector banks. On one hand where the public sector banks have increased business per employee by 5 to 6 times during the study period of 10 years the private sector banks have shown either stable trend or the declining trend of business employee. It suggests that either private sector banks are over employed or they are unable to utilize the resources to the best effect. Therefore private sector banks should take necessary steps to increase the business per employee ratio by making the best possible use of human resources. For this purpose these banks can set up separate human resource department.

3) Profit per employee of private sector banks is much higher as compared to public sector banks. It is amazing to notice that although business per employee of public sector banks is much higher than private sector banks, but the profit per employee as shown by private sector banks is higher as compared to public sector banks. It means that public sector banks are unable to convert the high rate of business per employee into profit per employee. The public sector banks should therefore reduce the high administrative cost, should initialize cost control and cost reduction and should
increase the profits which will result into increase in profit per employee.

4) Non interest income to total income ratio of private sector banks is much higher as compared to public sector banks. It is also worth to notice that all public sector banks have shown decreasing trend of non interest income over the study period of 10 years. The public sector banks should therefore make efforts to increase the non interest income like private banks. Increase in non interest income will also result into increase in the net profits of the banks which will ultimately result into higher earnings per share and higher rate of dividend to shareholders.

5) The major problem which the banks are facing even today is the assets quality i.e. NPAs (non performing assets). Non performing assets have been a major challenge before the banks. The problem of NPA in public sector banks is more severe as against the private sector banks. The proportion of NPAs in private sector banks have shown a stable trend over the study period of 10 years. HDFC bank has shown the decreasing trend of NPAs which shows that it has been able to deal with the problem of NPA at least to some extent. The trend of NPAs has been increasing in the public sector banks over the study period of 10 years. Higher proportion of non performing assets affects the profitability of the banks. The banks are suggested to take necessary steps to face to problem of NPAs. The banks should revise the lending terms if required. The banks should adopt the better documentation procedure and if required separate verification department should set up. Even the better and strict collection procedure will help to kerb the burning problem of NPAs.

6) The capital adequacy ratio maintained by private sector banks is higher as compared to public sector banks. Although every banks has maintained to CAR above 12% which is the minimum criteria as prescribed by RBI but still high rate Tier I and tier II capital against risk weighted assets shows the strong capital structure. Therefore public sector banks should increase their CAR.

7) Liquidity is another area of concern for private sector banks. The liquidity ratio maintained by public sector banks is higher as compared to public sector banks. The liquidity ratio should be maintained at a higher rate by private sector banks so as to avoid any liquidity risk or interest risk rate in the future.

8) Banks should concentrate much on internal sources of financing in order to increase their profitability. The external sources of finance carrying fixed cost of capital may reduce to profitability of the bank.
9) The structure of the working capital (gross) be evenly constructed taking into consideration the operational requirements so as to reduce the cost and take optimum utilization of the different sources.

10) The reduction in operating expenses would go a long way to help the public and private sector banks to increase profitability. This would be more pertinent in the context that most of the public enterprises earn gross profit, but that is siphoned off by the heavy operating expenses resulting in net losses. This is possible by committing the employees to the success of the enterprises like the scheme of Memorandum of understanding reached between the Government of India and the employees of the Central Public sector enterprises. This may help to build up high morale which is essential for the success of any organization.

11) The banks required hiring right kind of people, with adequate knowledge of banking especially at banks call centers. The right kind of employees i.e. appropriate to the job description would be able to give the better productivity.

12) The banks should develop service oriented internal processes.

13) The banks should include employees in the banks vision.

14) Right kind of reward to be provided to strong service provider.

15) The public sector banks should provide modern technology solutions to the customers to earn the customers loyalty as today the banking is no more a traditional service of accepting deposits and lending money. The public sector banks should provide all the services similar to private banking sector such as banking app, mobile banking, personal banking to customer etc.
6.4 LIMITATIONS OF THE STUDY:

1) This study is based on selected Public Sector Banks and Private Sector Banks only.

2) The secondary data, which used for this study is based on annual reports of the bank. The quality of this research depends on quality and reliability of data published in annual reports of banks.

3) There are different methods to measure the profitability of the banks. Views of expert can be different in this matter from one another.

4) The present study is largely based on ratio analysis; such analysis has its own limitations, which also applies to the study.

5) Financial performance has been analyzed in aggregate and segmental analysis is left for future research efforts. Since this study is in the nature of a positive empirical research, it is not proposed to enter in the normative aspect and offer suggestion for improvement in the working.

6) The researcher does not have firsthand experience of working in banking industry and, therefore, it is not felt proper to offer suggestions for improvement in financial performance. Since this study is related to selected Public Sector Banks and Private Sector Banks only, it is not proposed to make any generalization for universal application.

7) Particular ratios of used to study each variable of CAMEL model, use of some other ratios might be made to analyze the variable in a better way.

8) The use of ratio analysis only might not be enough to study the variable of CAMEL model.
6.5 CONCLUSIONS:

To conclude, it can be said that

1) Private Sector Banks profitability is much higher than that of Public Sector Banks.

2) The economic liberalization measures introduced by the Indian government coupled with trends towards globalization have substantially altered the banking sector and the profitability of public sector banks has declined to a large extent. So Public Sector Banks will have to introduce new financial instruments and innovations in order to remain in business.

3) It is clear from the analysis that the public sector banks are less profitable than the private sector banks in terms of overall profitability.

4) All these developments in Indian banking are says that, the Indian banks are moving towards modern banking changing a face of traditional banking of Indian economy. It is the rate change of banking industry. They have installed an information technology for banking business and they trying to provide technology based banking products and services to their customers.

5) Indian banks also trying to universalization of banking products and services to one top banking shop for customer delight, but comparatively private and foreign banks existing in Indian economy are having a higher level of modernization and those providing numbers of modern services to their customers.

6) For a long term success of banking institution to require effective management of credit risk and diversified into fee based activities. Non-traditional activities of banks are more sophisticated and versatile instrument for risk assessment.
6.6 SCOPE FOR FUTURE RESEARCH:

The researcher has analyzed the financial performance appraisal of Indian banking sector on the basis of selected private sector and public sector banks for a period of 10 years from 2004-05 to 2013-14 using the five variables of CAMEL model. The future scope of research could be as under:

1) Other banks can be selected to study the variables of CAMEL model.

2) One more variable has been added to the CAMEL model i.e. sensitivity which has not been covered in the above study. In future research sensitivity variable can be included to study the financial performance of banking sector.

3) The above research is conducted up to financial year 2013-14. Future research can be conducted for further period.

4) The research can be conducted in other banking areas such as internet banking, computerization in banking sector and its effect, introduction of other services by the bank, comparison between traditional banking and modern banking etc.

5) The researcher has selected private sector and public sector banks for the study purpose. Future research can be conducted on the basis of RRBs, co-operative banks, foreign banks etc.

6) The financial performance appraisal has been done using CAMEL model in the above study. Further researches can be conducted using the other models of banks performance evaluation.