Chapter - 2

Review of Literature

2.1 Introduction:

Review of literature has vital importance with any research work due to literature of review the possibility of repetition of study can be eliminated and another dimension can be selected for the study. The literature review helps researcher to remove limitations of existing work or may assist to extend prevailing study. Several research have been conducted to analyse the different aspects of performance of Rural Banks in India and abroad. But there are very few research and literature available on the subject related to financial reforms and its impact on Indian banks. This second chapter presents an overall review of literature related with the subject matter under study.

Prof. Gadgil’s D.R. (1961) : in his book ‘Towards a Co-operative Commonwealth’ goes into a comparative international analysis and out the essential role of the state in the Indian co-operative in carrying the developmental message to the lowest units of operation.

Sir Mehta V. L. (1965) : in his ‘Towards a Co-operative Socialist Commonwealth’ pays special attention to discussing the role of cooperation in assisting the weaker sections.
Dr. Ghoshal S.N. (1966): in his *Agricultural Finance in India*, has analysed various aspects of agricultural credit in India. The publication was not based on primary data but depended on the data published by the All-India Rural Credit Survey Committee report. The author presented a scientific analysis of the existing loaning procedure. The concept of repaying capacity was related to developmental finance provided by the land development banks.

Ramaswamy P. and Gopalan M. (1970): of Ramkrshna Vidyalaya, in their *Finance* for Agricultural Development have also discussed the issue. The study revealed that delay and inadequacy of loans were the main bottlenecks in agricultural credit. Other difficulties were problems of repayment, higher credit cost and non-provision of long-term loans for dry land cultivation.

Prof Karve’s D.G. (1971): *Commemoration Volume* offers a detailed discussion of principles of co-operation and of their application to developing countries.

Desai V.M. and Desai D.K. (1971): in their *Farm Production Credit in Changing Agriculture,* have studied the problems related with agricultural credit. The study was sponsored by the Indian Institute of Management, Ahamadabad. The study shows that there is a vast scope for expanding institutional credit with the spread of modern technology in agriculture and that traditional cultivation did not require expansion of credit. Since the small farmers with traditional
farming found it difficult to repay their dues, it was suggested that the credit institutions should facilitate the use of modern techniques, particularly in the case of small farmers. The credit institutions should act as a catalytic agent, particularly in the case of small farmers.

**Agro-Economic Research Center of Vallabh Vidyanagar** (1971) has also conducted a study entitled ‘An Enquiry into the Working of Co-operative Credit Institutions,’ The study examines the following limiting factors in the supply of Agricultural credit:

1. Lack of infrastructure in the district.
2. Lack of homogeneity.
3. Lack of social homogeneity and quality of leadership.
4. Structural and organizational impediments.
5. Procedural impediments, and

**Pande U.K. and Murlidharan M. A.** (1977) studies applications of discriminate function in agricultural finance. In the study, attempt is made to develop criteria for classifying the borrowers according to their willingness to repay the loans on the basis of differences in their socio economic characteristics. The authors concluded that the utilization of loan and operated size holding, were the major factors which classified the borrowers into
defaulters and non-defaulters and into willful defaulters and non-willful defaulters respectively. The discriminate function was found useful to the financial institution to assess the degree of risk-involved with the loan applicant.

**Rao M.K. and R. Ramann R.** (1982): have studies the small farmer’s attitude towards credit borrowing. According to the authors any developmental programme, which is credit oriented, largely depends on the attitude prevailing among the farmers of the area. The authors examined attitude towards credit borrowing and utilization of the credit by the farmers who were beneficiaries of Small Farmers Development Agencies (SFDA) through irrigation facilities and starting subsidiary occupation such as dairying. The study was undertaken in Tumkur Tq. of Tumkur District of Karnataka State.

**Pande U.K., Suhag A.S. and Manocha V.P.** (1985): carried out the study on the structure and flows of agricultural co-operative credit in India. The author studied role of co-operative credit in terms of fertilizer consumption was limited to only few states although consumption of nitrogenous fertilizers had significantly increased in ten states out of seventeen studied.

**Suresh** (1991): has observed the effects of diversion of loan funds and concluded that the extent credit utilization and resultant production may be adversely affected by the diversion of funds.
Arene C.J. (1993): has studied the use of farm credit by small farmers in rural Nigeria. The author has investigated into the credit delivery system of the Supervised Agriculture Credit Scheme (SACS) in the Anambra State of Nigeria with emphasis on loan repayment performance of smallholder farmer recipients.

Bhatt N.S. (1994): has examined “The factors causing over-dues in agricultural finance: a case study”, the serious problems of agricultural finance in India having huge over-dues in agricultural credit.

Bandyopadhyay (1996): has examined recent changes in the Indian rural credit system and has proposed and alternative approach to rural development. It has been argued by the author that despite of the changes, rural financial institution still suffer from poor recovery of loans, which is related to political interference, occasional loan waivers, and the non-viability of rural projects.

J.S. Tomar, General Manager of Oriental Bank of Commerce, in his study entitled, Managing Rural Banking rightly remarks, The problems of rural financial market does not claim to contain ideas unheard of before. The paper may disappoint intellectuals on many counts: the economists on the absence of relevant economic theories; academics — on the ambiguity of language and the researchers may simply bypass it as a laymen's reading. In fact, my transition is from practical farming to farm education to farm banking. When I was not so young, my father missed no opportunity in making me wiser by his advice that
it was more convenient to borrow money from a money lender than from a bank, which in his view was more painful and rigorous route. The achievement of better access to credit for the poor on a sound commercial basis, as is being demonstrated by the successful SHGs, is not an end in itself. The end is the alleviation of poverty, which can be effectively achieved by an increase in family income, an increase in the income and output of the micro-enterprises of the poor, or by increase in employment, in the actual quality of life of credit recipients, and the quality of social relationships and of motivation for the constructive development of the community as a whole.

**V. Rengarajan** 16 (1997), Deputy Chief Officer of Indian Overseas Bank in his research paper entitled, *Rural Credit: Demand Side Management* has observed: Hence mere supply of credit may not provide a guarantee for achieving the desired goal unless the above economic, socio-cultural and ethical dimensions of the society and institutions are taken into consideration. These fundamental factors call for an effective demand side management of rural banking. Further our continued focus on sophisticated supply side management in rural banking with poor response also compels us to work out some strategies from demand side. In this context the two experiments in rural areas, viz. IADP in India with a production oriented approach and Grameen Bank in Bangladesh with its poverty alleviation approach provide fruitful lessons worthy of emulation, to perfect our demand side management of rural banking for achieving the expected goal. What appears to have been missing in the past in management
of rural banking are some fundamentals which have not been adequately recognised. In today’s context, adherence to these fundamentals would go a long way in effecting a better management of rural banking. Against this background, an attempt has been made in this paper to discuss some fundamentals of managing rural banking from demand side, as much water has flown since 1969 on supply side. The subject matter is presented in three sections, viz. (a) impact of supply side management, (b) fundamentals of demand side management, and (c) suggestions for discussion.

S.C. Bandyopadhyay (1997), Chief Manager of State Bank of India, in his research paper entitled, *Rural Credit System-An Alternative Approach*, has said that: looks at the recent policies in the rural credit system and suggests certain changes. The first part of the paper reviews the policy changes that have taken place in the rural credit sector and the second part formulates an alternative approach to rural development. Performance of various rural financial institutions in the last few years is not very impressive. Although the number of institutions is quite large, these institutions could cater to the credit needs of about one-third of the cultivators of the country (1994). This indicates the presence of a large number of informal sources of credit in the rural areas. Poor performance of cooperatives and regional rural banks is common knowledge. There are a few areas which seem to have failed to attract the attention of the policy makers. It is time to look into these problems (a few of them are listed below) in order to find out what has gone wrong with rural credit system.
Varsha Varde\textsuperscript{18} (1997), Assistant General Manager of Agricultural Finance Corporation Ltd, in her research study entitled, \textit{Rural Banking—From Nationalisation to Rationalisation} has observed that: Despite such impressive growth in broad rural banking parameters the banking institutions in rural areas have become weak over the years. There are several factors which have inhibited the financial viability of these institutions. Thus over the years, the rural banking system has been severely weakened by low margins, high transaction costs, poor recovery, debt write-offs, cumbersome lending procedures and apathy of the bank staff. However, the rural sector which comprises three-fourths of the total population and contributes one-third of the GDP needs focused attention to support growth and development.

R.V. Bhavani\textsuperscript{19} (1997) Assistant Manager of State Bank of India, in his research paper entitled \textit{Institutional Changes for Rural Credit} has attempted to look at the means of restructuring the rural credit system and in the process, explores the various possibilities. It is divided into four sections. Section I briefly reviews the features and problems of the system as it has evolved so far. Section II outlines the framework and criteria that the restructured credit structure should satisfy; Section III is the core section that examines restructuring of the existing set-up, the institution-types and the issues to be tackled. A case is built for encouraging the growth of small unit banks. Finally Section IV summarises the broad conclusions that emerge.
Hand in hand with restructuring the existing, in the changed context of liberalisation and decentralised functioning, the possibility of having small localised banks or single branch unit banks needs to be seriously considered and advocated. The advantages and evidences in their favour have been presented in this paper. While branch banking by large banks tends to be characterised by impersonal service and top-down dictation, small banks are expected to have greater flexibility in decision-making, have a local base, utilise local resources, and provide for local participation in management.

Subhash C. Wadhwa (1997) Managing Director of Agricultural Finance Corporation Ltd., in his research, Reforms and Flow of Credit to Rural Sector, has rightly remarked out that: While economic reforms and liberalisation are essential in the rural financial sector also, we may have to adopt a somewhat cautious approach to ensure that the flow credit to the vital agriculture sector is not adversely affected. At the same time the viability of the banking institutions has to be ensured. There has to be transparency in the banks' operations and in case there is a need to provide any subsidy for any sector or segment of society it should be clearly targeted, borne by the State and not by the banking system which will have to operate on commercial lines. In developing economies agriculture plays a vital role. The cost of neglect of agriculture and the poor is going to be very high in the long run economically, socially and politically.
U.C. Mohapatra\textsuperscript{21} (1997), Manager, of Bank of Baroda, in his research paper entitled, \textit{Rural Banking: For Sustained Profitable Growth}, has said: With an extensive branch network of more than 55 per cent of branches in rural areas, public sector banks cannot afford to neglect this segment. In view of the gradual opening of branches by private/foreign banks at metro/urban centres as also the emergence of "profitability" as their prime corporate goal, the focus has been centred on the lucrative business areas at metro/urban centres. In the process, the cause of rural banking has not received the much-needed attention from the bankers. However, even in the present liberalised and competitive environment, rural banking is as relevant as it was before. To carve out an efficient and vibrant airal banking in the direction of actualising the overall organisational excellence, the Indian bankers must reorient their attitude and develop a positive outlook for rural banking to meet the emerging challenges.

A Sarat Chandra\textsuperscript{22} (1997), Assistant Chief Officer of UCO Bank, in his study entitled \textit{Rural Banking – Changing Scenario}, has concluded that: During the recent times, several policy initiatives were taken to tackle some of the pressing problems inhibiting healthy growth of rural credit. The redefinition of priority sectors is likely to reduce the negative impact of directed lending on profitability. The relaxation in restrictions on the service area norms would enable the rural bank branches to improve rural credit business to the sizeable
level. All these measures are expected to help the rural credit system to develop a more profitable business profile.

**Prashanta Athma** (2000) in his Ph.D. research submitted at Usmania University Hyderabad, “Performance of Public Sector Banks – A Case Study of State Bank of Hyderabad”, made an attempt to evaluate the performance of Public Sector Commercial Banks with special emphasis on State Bank of Hyderabad. The period of the study for evaluation of performance is from 1980 to 1993-94, a little more than a decade. In this study, Athma outlined the growth and progress of Commercial Banking in Indian and analyzed the trends in deposits, various components of profits of SBH, examined the trends in asset structure, evaluated the level of customer satisfaction and compared the performance of SBH with other PSBs, Associate Banks of SBI and SBI. Statistical techniques like rations, percentages, compound annual rate of growth and averages are computed for the purpose of meaningful comparision and analysis.

**SBI Research Department** (2000) through its paper, “Performance Analysis of 27 Public Sector Banks” published in SBI monthly review performance, Vil. XXXIX, was prepared by Economic Research Department of State Bank of India, is to analyse the performance of the 27 Public Sector Banks for the year 1999-2000 vis-à-vis the preceding year. Selecting four different categories of indicators-business performance, efficiency, vulnerability and labor
productivity indicators, carried out the analysis. Altogether, 39 indicators were selected for this purpose. For the purpose of analysis 27 PSBs disaggregated into four groups, namely, the SBI, Abs (7), the SBGs (8), the NBs (19). During 1999-2000, the PSBs exhibited better show in the terms of several parameters studied above. Nevertheless, the problems of NPAs and capital adequacy remain to be taken care of.

Ramchandra Reddy\textsuperscript{25} (2001) focused his attention on the seriousness of NPAs in public sector banks. He argued that with the introduction of international norms of income recognition, asset classification and provisioning in the banking sector, managing NPAs has emerged as one of the major challenges facing the Public Sector Banks. He felt that total elimination of NPAs is not possible in the banking business owing to externalities but their incidence can be minimized. To reduce the seriousness of the problem, he suggests that the banks should adopt proper policy for appraisal, supervision and follow-up of advances; special recovery cells may be set-up at regional, zonal levels. Recovery officers should be appointed at making necessary provisions and contingencies.

Singh Sultan\textsuperscript{26} (2001), made an attempt in his Ph.D. thesis titled, “An Appraisal of Banking Sector Reforms in India” in Guru Jambeshwar University Haryana, to access the impact of the reforms on the operational performance and efficiency of the commercial banks in India. Ratio analysis has been used as a major tool
for assessing the performance of the selected commercial banks. The study revealed that the total income as a percentage of working funds and or total assets and spread as a percentage of total income/ working fund / total advances / total deposits have improved in the reform period against the pre-reform period in most of the banks.

Samal B. 27 (2001), Chairman and Managing Director of Allahabad Bank, Kolkatta, in his research article, “Indian Banking System : Phases of Transition” has studied the impact of reforms on the banking system. He observes that: Indian banking system has been subject to widespread structural reforms initiated since June 1991. This phase can be regarded as “second banking revolution”. Reform measures such as introduction of new accounting and prudential norms, liberalization measures etc. are heading towards a truly competitive and well-structured banking system resilient from an international perspective. These have spurred the dynamics of Indian Banking Sector in all the fields.

Pai D. T. 28 (2001), the Chairman and Managing Director of Syndicate Bank, Manipal in his research paper entitled, “Indian Banking – Changing Scenario” has rightly remarked that: The financial sector reforms launched since 1991-92 qualitatively revolutionized Indian Banking. It was a period of consolidation in the industry. Banking was perhaps one sector that was more deeply touched by the liberalization process than any other. The thrust of reform was to make
Indian banking system was rapidly being reoriented to be in tune with international norms and practices.

Kannan K. (2001), Former Chairman & Managing Director, Bank of Baroda, Presently Co-Chairman IMC, Mumbai in his research article entitled, “Creation of Performing Assets – Form NPA to PA” has rightly remarked: The word NPA – Non-Performing Assets and its discloser on as percentage of gross advances and classifying banks on this basis as weak/ vulnerable, no doubt brought about the change in the outlook of the management, regulator and the government to focus on recovery of the money LENT. Kannan concludes that: All challenges present and emerging can only be tackled by an efficient management with strategies suitable for specific bank. Common solution to suit all should go, giving way for individualistic approach. Hence full autonomy for bank boards is required.

Patel A. R. (2001), Executive (PS) of Development Credit Bank, Mumbai in his research article entitled “Rural Banking : Emerging Challenges and Strategies” has studied the emerging challenges and strategies of rural banks. Patel writes: RRBs have also reduced lending to farm sector in particular and rural areas in general which is evident from the fact that credit deposit ratio has declined from 44.4 per cent in 1997-98 to 42.2 per cent in 1998-99, whereas their investment-deposit ratio has improved from 14.7 per cent to 19.7 per cent during this period. Patel further talks on challenges: “In the light of pivotal role..."
that agriculture can play in the areas such as, providing food security, minimizing the incidence of rural poverty and earning foreign exchange through export of farm and animal products, Rural Banking System has to accept difficult challenges. Provision of adequate and timely credit facilities in as much as simplified procedure to each and every eligible rural households is a must, besides Rural Banking System’s playing a development banker’s role rather than traditional and conservative role of a money lender.

Das and Udaykumar Lal (2002), in his book, Banking Reforms in Lead Bank Scheme, (Deep & Deep Publication, New Delhi) was the critical evaluation of the lead bank scheme in the light of banking sector reforms. Das in this book observed that high level of NPAs large number of un-remunerative branches, low productivity, overstaff and archaic methods of operations have affected the profitability of public sector banks. Das sincerely felt that the whole banking sector in India is to be revolutionized to cope with the changing dimensions of the satellite one world. Further, he felt that the backward areas should be given more funds for investment in priority sectors and more and more people should be brought under its coverage and the procedures of extending credit should be simplified and there should be least hassle cost.

University, Vishakhapatnam, was to critically evaluate the impact of Banking Sector Reforms on the performance of Commercial Banks in India. In this study, Radha analysis the magnitude of deposits and borrowings, and trends in branch expansion, advances and investments, trends income and expenditure and also studied the magnitude of achievements in priority sector advances, capital adequacy, CD ratio, staff position in different bank groups and individual banks within the group.

Muniappan 33 (2002), studied paradigm shift in banks from a regulator point of view. He concluded the positive effect of banking sector reforms on the performance of banks. He suggested many effective measures to strengthen the Indian banking system. The reduction of NPAs, more provisions for standards of the banks, IT, sound capital bare are the positive measures for a paradigm shift. A regulatory change is required in the Indian banking system.

Subbaroo P.S. 34 (2007), in his paper, “Changing Paradigm in Indian Banking”, Gyan Management, has concluded that the Indian banking system has undergone transformation itself from domestic banking to international banking. However, the system requires a combination of new technologies, well regulated risk and credit appraisal, treasury management, product diversification, internal control, external regulations and professional as well as skilled human resource to achieve the heights of the international excellence to play its role critically in meeting the global challenge.
Uppal and Kaur⁴⁵ (2007), in their paper titled, “Analysis of the efficient of all the bank groups in the post banking sector reforms era”. Their time period of study was related to second post banking sector reforms (1999-2000 to 2004-05). The paper concludes that the efficiency of all the bank groups has increased in the second post banking sector reforms period but these banking sector reforms are more beneficial for new private sector banks and foreign banks. This paper also suggests some measures for the improvement of efficiency of Indian nationalized banks. The sample of the study in Indian banking industry which comprises five different ownership groups and the ratio method is used to calculate the efficiency of different bank groups.

Sheeba Kapil⁴⁶ (2007) in her paper is to review and analyse the current financial health of the Indian Public Sector Commercial Banks in the light of banking reforms and predict the future and scope of the same. The viability of the 27 Public Sector Banks has been analyzed on the basis of offsite supervisory exam model i.e. CAMEL Model. These four components of each bank have been analyzed and rated on a scale to judge the composite rating of the same. The paper finds that the offsite supervisory exam model (CAMEL) has rated majority of PSBs as non-viable and they require immediate attention and government support. After 19 years of economic and banking reforms, the Indian Banking Sector has still miles to go.
Anantha Swami (2007) made an attempt in his paper “In the context of Financial Sector Reforms” to identify the factors which could have led to changes in the position of four bank groups i.e. Public Sector Banks, Old Private Sector Banks, New Private Sector Banks and Foreign Banks in term of their share in the overall banking industry during the period 1995-96 to 1999-2000. For analytical examination of the impact of reforms on the banks, performance, the very performance of a bank has to be evaluated as per appropriate criteria by choosing selected parameters like share of different bank-groups in total assets, share of rural branches, average branch size, trends in bank’s profitability, share of priority sector advances, share of wages in expenditure, provision and contingencies as percentage to total assets, intermediation costs etc.

Paithankar-Gosavi Kranti (2012), in her research paper entitled, “Grameen Bank Experience of Bangladesh” has described the work done by the Grameen Bank in Bangladesh. The Grameen Bank is a microfinance organization and community development bank started in Bangladesh that makes small loans to the impoverished without requiring collateral. The name Grameen is derived from the word gram which means ‘rural’ or ‘village’ in the Bengali language. The system of this bank is based on the idea that the poor have skills that are underutilized. A group-based credit approach is applied which utilizes the peer-pressure within the group to ensure the borrowers follow through and use caution in conducting their financial affairs with strict discipline, ensuring
repayment eventually and allowing the borrowers to develop good credit standing.

Pathare Shivaji Rangnath\(^{39}\), \((2012)\), in his research paper entitled, “Grameen Bank – Experience of Bangladesh” has rightly pointed the impact of Grameen Bank on poverty, impact on risks for the poor and on savings, impact on education and health, impact on indebtedness and level of repayment rates etc. Pathare pointed out that: “Studies indicate that the Grameen Bank System does not reach very far down the poverty spectrum, either in absolute terms or relative to other income categories.” He further says that, While sophisticated econometric analysis is underway, preliminary analysis suggests that Grameen Bank has generated a number of benefits both at the household and village level.

V. Leeladhar Deputy Governor, RBI\(^{40}\) (2006), in his lecture, ‘Indian Banks and the Global Challenges’ has said, “The enhanced role of the banking sector in the Indian economy, the increasing levels of deregulation along with the increasing levels of competition have facilitated globalization of the Indian banking system and placed numerous demands on banks. Operating in this demanding environment has exposed banks to various challenges.”

B. N. V. Parthasarathi\(^{41}\) (2006), in his study, ‘Indian Banking in 21st Century Opportunities and Challenges’ has noted, “Indian banking has been evolving ever since the reforms in 1991. Banks are realizing the importance of new
technology and convenience banking. Customer satisfaction is at the top of their agenda. Due to intense competition, the survival of smaller and non-competitive banks is at risk. Liberalized norms for entry of foreign banks could exacerbate the situation.”

**S. Santhanakrishnan**\(^ {42} \) (2006), in his article, ‘Globalization and Its Impact’ has noted, “Globalization is both a challenge and an opportunity for Indian banks to gain strength in the domestic market and increase presence in the global market.

**K. C. Chakraborty**\(^ {43} \) (2006), has in his study, ‘Management of NPAs — Trends and Challenges’ rightly remarked that, “Banks play the game of snakes and ladders to manage NPAs.” Highlighting the Need for Managing NPAs, he says, “The Indian banking system, considered to be the lifeline of the country’s economy, has undergone a paradigm change over the years.”

**Suhas Rane and Rajorshi Roy**\(^ {44} \) (2006), in their analytic study, ‘From NPA to CDR: A Win-Win Approach’ have noted, “Rising NPAs in the banking industry have given birth to the Corporate Debt Re structuring (CDR) mechanism, where a lender and a defaulted borrower come together and settle their accounts. This procedure not only helps the defaulted borrowers save time from legal hassle and procedural delays, but it is also the opportunity for banks to turn their NPAs into good assets. It is a God-sent mechanism for corporates who genuinely want to settle their accounts.
N. Janardhan Rao and Ravi Babu Adusumilli (2006), in their article, ‘Asset Reconstruction Companies: Cure for NPAs’ have noted that, “ARCs are still at a nascent stage of development and market dynamics is likely to change with the entry of new players. It has been observed that high levels of Non-Performing Assets (NPAs) in the banking system can adversely affect economy in many ways such as, financial crisis, under-utilization of the productive resources, and deteriorating the investment climate in the country.”

Katuri Nageswara Rao (2006), in his study, ‘Rural Credit and Microfinance’ has observed, “Financial exclusion of vast ruralities is a cause of concern. Recently, an RBI committee formed to look into the matter recommended microfinance route through self-help groups, with two models, namely, business facilitator model and business correspondent model.”

M. Sudhir (2007), in his article, ‘The ‘Retail’ Shift’ has noted that, “The existing potential of retail banking in untapped rural and semi-urban areas and hitherto untapped clientele provides a good and vast opportunity for growth in the segment. Retail banking refers to the dealings of a bank with its individual customers. The dealings include both deposits and advances. The deposits maybe in the form of fixed deposits, term deposits, current/savings accounts.”

Holger J. Kern (2007), in his study, ‘Retail Banking - Global Perspective’ has stated, “The ‘battle’ for the retail client mil be won at the customer interface—but only by understanding the client, the client segments and the client needs.”
Recent banking headlines have been mixed. Despite posting huge profit numbers, banks were forced to significantly cut resources to secure future competitiveness in an ever-changing business environment."

**K. N.C. Nair** (2007), in his analytic review, “Technology in Banking”, has noted that, “Banks are realizing that technology has become a strategic resource for achieving competitive advantage and sustainable business growth. The 21st century banking has become wholly customer-driven and technology-driven. During the last decade, technology has been dramatically transforming banking in India. Driven by the challenges of competition, rising customer expectations and shrinking margins, banks have been using technology to reduce cost and enhance efficiency, productivity, and customer convenience. Technology-intensive delivery channels like net banking, ATMs, tele-banking, ftmobile banking, etc., have created a win-win situation by extending great convenience and multiple options for customers while providing tremendous cost advantages to banks. The positive impact of technology infusion is clearly now in almost all areas of banking operations, especially in the retail and ayment systems in the country.”

**V. Ramkumar** (2007), in his study, ‘Core Banking Solutions — 5 Techniques for Implementation’ has remarked, “Some of the most common issues around core banking implementations are organizational, not technical. It has never been an easy task to implement any enterprise level IT system, piy and the
process only gets more complex in a live banking environment, requiring a very high degree of care and precision, only akin to an open-heart surgery.

Suhhojit Banerjee\textsuperscript{51} (2007), in his article, ‘Technological Upgradation - Impact on Service Quality’ has remarked, “Customers in developing economies seem to keep the ‘technological factors’ of services such as core service and systematization of the service delivery as the yardstick in differentiating good and bad service. The saying that “there are no shortcuts to hard work” aptly points out that bad performance cannot be short-circuited by adopting a ‘state-of-the-art’ technological system. It is common practice amongst strategists and planners to hold the current state of technology responsible for poor performance.”

V. V. Gopal\textsuperscript{52} (2007), in his research work, ‘Banking on CRM - An Approach to Implementing CRM in Banks’ has noted that, “The prerequisite for successful CRM in banks is to have a thorough understanding of the organizational structure and environment. Frontline executives in banks should possess adequate knowledge about the banks ‘as well as the competitors’ products and the competitive environment. With the opening up of the economy, a number of private sector banks have joined the fray and are offering a plethora of products and services, having rechristened themselves as ‘financial boutiques’. Knowledge dissemination has been propelled by electronic and mass media campaigns.”
Jangaiah Paladi\textsuperscript{53} (2007), in his research, ‘Credit Risk Transfer -Mechanics and Framework’ has observed, “The world over, banks and financial institutions are getting ready to shed or take on credit related exposures. In this context, the article presents the institutions, instruments and techniques that constitute the credit risk transfer market. It also gives an overview of the status of credit risk transfer markets in emerging economies, including India.”

Francisco Gonzalez\textsuperscript{54} (2007), in his paper, ‘Regulation-Induced Risks’ has noted that, “The growing burden of domestic and international regulation is the biggest risk facing the world’s banks in the coming years, as new rules impose additional costs and create a false sense of security. Regulations designed to reduce the likelihood of bank runs have not only increased in frequency, but have also come to share more and more common features irrespective of the country they apply to, since the Federal Deposit Insurance Corporation was launched in USA in 1933 to insure the country’s bank deposits.”

T. B. Kapali\textsuperscript{55} (2007) in his research, ‘Banks’ Changing Asset Profile -Risk Management Challenges’ has observed, “The structural downtrend in Indian interest rates in the past 3 to 4 years could be one of the factors that encouraged the build-up of the maturity mismatches in bank balance sheets. Key feature in the recent commercial banking developments is the high growth in retail credit segment. Concerned at the frenetic growth in retail credit, the Reserve Bank of India, in October 2004, increased the risk weights on such loans for capital adequacy purposes.”
M. P. M. Vinay Kumar⁵⁶ (2007), in his research work, ‘Securitization — Problems and Prospects’ has stated that, “At the global level, securitization is becoming more popular among financial institutions. Securitization is meant to avoid disparity between assets and liabilities of banks/Financial Institutions (FIs). In order to promote securitization in India, RBI has constituted a working group on asset securitization. This article discusses the importance of asset securitization for Indian banks, financial institutions and long-term project financing. It also looks at the main problems associated with securitization in the Indian context.”

Lawrence Sdez⁵⁷ (2007), in his study, ‘Basel II - Implication on Indian Banking’ has remarked, “Over the last decade, developing banking systems—like India’s—have made important strides in ensuring that, banks have adequate capital to cover credit risks. The newly released capital adequacy framework will undoubtedly challenge the operations of banks, most directly by imposing new transaction costs on them and other similar financial institutions. There is, however, an asymmetry in existing capital adequacy standards of measurement across different banking systems.

Dilip Dasgupta⁵⁸ (2007), in his study, ‘Corporate Governance (Towards better Governance) in Commercial Banks’ has stated that, “Corporate Governance is a much spoken issue, but little has been done to effectively put a sound practice in place. In the area of financial sector, especially in banking, corporate governance deserves added attention. This article tries to encapsulate some of
the corporate governance aspects that have come into vogue. It speaks at length about the relevance of rating mechanisms as far as corporate governance is concerned and how some banks have already taken the initiative.”

**Ajay Mahajan**\(^\text{59}\) (2007), in his study, ‘Wealth Management and Private Banking - Building a Proactive Model’ has observed, “The quality of advice and level of service play an important role in building a winning business model for banks. Wealth management and private banking divisions are increasingly gaining importance in the banking sector, as banks in India are being considered a one-stop shop for providing financial solutions by the customers. Changing investor demands and tax regulations are helping banks in providing a complete portfolio advisory module in addition to traditional banking products.”

**Anita Iyer**\(^\text{60}\) (2007), in her paper, ‘Wealth Management and Private Banking - Key Themes for Future’ has stated, “Wealth managers, who develop an in-depth understanding of their customers, will be well-positioned to retain and grow business by deploying distinct strategies for marketing, pricing and servicing. In India, there has been a significant growth in income and wealth levels over the past few years. Financial services industry players have begun to recognize the potential of wealth management as a profitable business. The wealth management industry, though in a nascent stage, is experiencing rapid growth in terms of the number of providers, clients and assets under management.” **Ram Mohan T. T.**\(^\text{61}\) (2008), in his study, ‘FDI in Banks - Welcome
Competition’ has noted that, “FDI in banking brings in competition, players with deep pockets and superior managerial practices. FDI must be viewed as part of the process of financial integration—the integration of the financial sector, including banking, with the world economy. While integration in goods and services is seen to uniformly confer benefits on an economy, this does not hold true for financial integration.”

Rama Krishna Rao (2008), in his research work, ‘Credit Scoring—Assessing Retail Credit’, has observed, “The banking industry in India is changing track. Retail banking is the tag for all the banks. It is the principal growth driver for banks in India. To assess retail credit a different approach is required. The approach used is Credit Scoring. It sharply reduces the cost of credit appraisal and improves the consistency, speed and accuracy of credit decisions.”

Katun Nageswara Rao (2007), in his article, ‘Banking on Innovation’ has noted, “Innovation has created financial giants like Japan Post in Japan and Fannie Mae and Freddie Mac in the US. Securitization and venture capital activities themselves are good examples of product innovation. Likewise, the unique status of the greenback and the euro provide examples of financial innovation. Grameen Bank of Bangladesh is yet another case of excellence in innovation.”

D Ramani (2008), in his study, ‘Innovative Internet Banking: Emerging Issues and Challenges’, has described, “Internet banking services have revolutionized the functioning of the entire banking sector. Most of the bank’s businesses are
carried out with the help of electronic gadgets including computers. Internet banking has not only increased the ease of banking transactions but has also reduced the amount of time and cost spent on these transactions. Banks have invested a huge amount of money to set up infrastructure. This has resulted in the improvement of productivity and efficiency of the industry and also the quality of services to consumers.”

Adagunodo Emmanuel Rotimi, Awodele Oludele & Ajayi Olutayo\(^6\) (2008), in their study, ‘SMS Banking Services: A 21st Century Innovation in Banking Technology’ have noted that, “According to the Euronet Mobile Banking Guide, there are currently close to 400 Mobile Operators in over 133 countries who are signing up 4 to 6 new customers every second. This implies that more people are going mobile like never before. The novel method presented in this paper is an Interactive SMS Banking Agent that is incrementally scalable for banking operations. Hence, a mobile banking solution called SMS Banking that allows people to bank with their mobile phones is presented in this paper.”

Rajnish Tiwari, Stephan Buse and Cornelius Herstatt\(^6\) (2008), in their study, ‘Mobile Services in Banking Sector’, have discussed, “The wide-ranging economic developments of the previous decade, e.g., the integration of world economies, have made a significant impact towards increasing the mobility of the working populace and their families. At the same time, technological developments especially in the field of telecommunication have made it possible to offer innovative, location sensitive services on ubiquitous basis to
customers on the move.” Usha Thorat (2007), Deputy Governor, RBI, in her paper, ‘Financial Inclusion: The Indian Experience’, has said, “Access to affordable financial services - especially credit and insurance - enlarges livelihood opportunities and empowers the poor to take charge of their lives. The Reserve Bank has undertaken a number of measures with the objective of attracting the financially excluded population into the structured financial system.”

Janmejaya Sinha, Christian dejuniac and Saurabh Tripathi (2007), in their research work, ‘India Beyond Outsourcing: The Opportunities for International Banks’ have stated, “India is the most important emerging market for some foreign institutions like Citibank and Standard Chartered Bank providing higher returns than their home countries. Foreign banks that have entered India more recently have focused on such niche segments such as wholesale, investment, and private banking—and have done so profitably. India is widely expected to become the third-largest economy in the world by 2035, behind China and the United States.”

Chowdhari Prasad and KS Srinivasa Rao (2007), in their study, ‘Private Sector Banks in India A SWOT Analysis’ have observed, “The financial reforms launched during the early 1990s have dramatically changed the banking scenario in the country. New prudential norms, such as capital adequacy prescriptions, identification of bad debts, provision requirements, etc., were enforced; and interest rates were deregulated. As a sequel to these reforms, new private
sector banks were allowed entry into the market. Many of these new private sector banks have brought with them state-of-art technology for business processing and service delivery, besides being efficient in catering to the customers’ demands. Yet, the failure of Global Trust Bank made Indian depositors to question the sustainability of private banks.” Thus, in this chapter the researcher has reviewed the various past studies regarding the problem under study. It is the need of the hour to effect changes in rural credit structure with sincerity by making the rural commercial bank branches, RRBs and cooperative banks viable units by improving recycling of credit. Towards this, the recovery of dues requires highest priority. It is time to reduce the over dues of the banks. The improvement of rural credit delivery system is essential for the economic upliftment of the rural poor who form the backbone of our society. Therefore more and more studies of NPA is necessary.

Notes & References:


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