CHAPTER-8

SUMMARY AND SUGGESTIONS

8.1 INTRODUCTION

Finance is an important and necessary factor for economic development. Though finance is by no means a substitute for real resources, it has a crucial role in the economic development of the country. The segment of capital and money market dealing with lending and borrowing of funds, essentially for short-term purposes, is represented by commercial banking institutions. Commercial banks act as financial intermediaries, i.e. intermediaries of saving and investment. Savings intermediations are a process by which flow of savings of the community is allocated to finance investment in the economy. The banking system which constitutes the core of the financial sector, plays a critical role in transmitting monetary policy impulses to the entire economic system.

Banking is the kingpin of the chariot of economic progress. The banking system occupies an important role in a nation’s economy. A banking institution is indispensable in a modern society. It plays a pivotal role in the economic development of a country and forms the core of the money market in a developing country. The importance of commercial banks in the process of economic development has been recognized by all. The role becomes more important in planned or developing economies, like India. Banking industry is the blood vascular system of our economy. The performance of banks is completely linked to the growth of the economy, while the nature and quantum of growth is, in turn, linked to the availability of bank credit (Uppal, 2006).

In India, though the money market is still characterized by the existence of both the organized and the unorganized segments, institutions in the organized money market have grown significantly and are playing an increasingly important role. Amongst the institutions in the organized sector of the money market, commercial banks and commercial co-operative banks have been in existence for the past several decades. The Regional Rural Banks came into existence since the middle of seventies. Thus, with the
phenomenal geographical expansion of the commercial banks and the setting up of the Regional Rural Banks during the recent past, the organized sector of money market has penetrated into the rural areas as well. The structure of the Indian Banking System has undergone numerous changes since independence. Two phases of nationalization (1969 and 1980), introduction of Regional Rural Banks in 1975, and permission to New Private Sector Banks and set-up operations since 1993-94 are some of the major changes undergone.

8.2 FINDINGS OF THE STUDY

8.2.1 EVOLUTION AND GROWTH OF PUBLIC AND PRIVATE SECTOR BANKS IN INDIA

8.2.1(a) EVOLUTION OF COMMERCIAL BANKS IN INDIA

Indigenous Bankers

The origin of banking in India is traceable in ancient times. The main functions of the bank are to accept deposits and grant loans. These functions of accepting deposits and lending money were performed by a section of the community in the vedic periods also. During Ramayana and Mahabharat eras, banking, which was a side business during the vedic period, became a full time business activity for the people in this age. During the smriti period, which followed the Vedic period and the Epic age, the banker performed the functions of the modern banks.

British and Mughal Periods

Indian history reveals that during early Muslim and Mughal rule in India, indigenous bankers did grant loans both for domestic and foreign trade. During Mughal rule, the issue of various kinds of metallic money in different parts of the country gave the indigenous bankers great opportunities for developing the very profitable business of money changing and the most important among them were appointed mini officers, revenue collectors, bankers and money changers to the Government in various parts of the empire.
The Indigenous Banks and Agency Houses

The English traders who came to India in the 17th century could not make much use of the indigenous bankers mainly due to their ignorance of the latter’s language and the latter’s experience of the finance of the trade. The English agency houses in Calcutta and Bombay began to conduct banking business besides their commercial business. Banking on the modern lines, began with the foundation of the Agency Houses of Calcutta and Bombay in the 18th and early 19th centuries. These Agency houses were mainly trading concerns interested in tea and indigo, and began to serve as bankers to the East India Company and the European merchants in India.

Presidency Banks

Another group of banks was established by the Acts of Indian legislature. These banks may be divided into two groups—the first consisting of three Presidency banks amalgamated into Imperial Bank of India in 1920 and the second of the Indian joint stock banks. The first Presidency Bank, under the name of Bank of Calcutta, was established in Calcutta in 1806. The Presidency Banks Act imposed restrictions upon all the three banks to safeguard the interest of the Government and the public which had deposited funds with them. But the restrictions were continued even after the Banks had built up a very solid position by careful management. In 1920, these Presidency Banks were amalgamated and a new bank—Imperial Bank of India was formed. This step was taken to protect these banks against the competition of foreign Banks.

Joint Stock Banks

In 1894, the Punjab national bank was also established under Indian management and is one of the nationalised banks at present. Under the stimulus of the Swadeshi Movement, a number of joint banks were established between 1906 and 1913 such as the Bank of India, the Central Bank of India, the Bank of Baroda, the Canara Bank, the Indian bank and the Bank of Mysore. The year 1949 marks the beginning of the new era in the history of the Indian banking—comprehensive legislation was passed to control the activities of other Commercial banks. Under this legislation, the RBI was given very wide powers of control and supervision.
**Emperial Bank and State bank of India**

The Presidency Banks were amalgamated into the Imperial Bank of India, which was brought into existence on 27th January, 1921 by the Imperial Bank of India Act 1920. However, this Act gave no power to issue notes and thus, left it without control over the currency of the country. But it was allowed to hold Government balances and to manage public debt and clearing houses till the establishment of RBI in 1935. The Government of India set up the SBI on July 1, 1955, which took over the business of the Imperial Bank of India.

**8.2.1(b) GROWTH OF BANKS IN INDIA**

**Nationalisation of Commercial Banks:**

In 1969, 14 banks were nationalised to promote macro-economic objectives such as economic growth and better regional balance of economic activities. The nationalization was effected by an ordinance, which was later replaced by an Act of parliament known as the Banking Companies Act, 1970. The banking sector was identified as key instrument for economic development. Fourteen erstwhile private sector banks were nationalized on July 19, 1969, and another six, viz. Andhra Bank, Corporation Bank, New Bank of India, Oriental Bank of Commerce, Punjab & Sind Bank and Vijaya Bank with deposit liabilities of Rs. 200 crore and above in 1980. One of the objectives of nationalization was to extend the reach of organized banking services to rural areas and to neglected sectors of the society. With a view to achieving these objectives, the policy-makers imposed a strict credit rationing approach, prescribed formula-based lending and high-directed credit obligations.

**Lead Bank Schemes:**

The Reserve Bank of India launched the Lead Bank Scheme in December 1969 to mobilize deposits and to step up lending to weaker sections of the economy. Under this scheme, a ‘Lead Bank’ designated for the district was responsible for taking lead role in surveying the credit needs of the population, development of banking and of credit facilities in the district allotted to it.
Branch Expansion:

Between 1969 and 1992, there was a rapid expansion of branch network. The number of bank branches increased from 8,262 to 60,570 reflecting a rapid growth of banking activity. The banking system spread to rural areas. As banks were mainly tools in the hands of the government, banks had no incentive to make profits and improve the financial health. Nationalization killed competition and stifled innovations in banking. Trade unions became strong in banks with political patronage and they resisted any form of change in the banking system.

Reformatory phase:

A series of reforms were undertaken from 1985 onwards, the first phase of comprehensive reforms in the banking sector was undertaken in June 1992 by implementing the recommendations of Narasimham Committee-I (1991) on the financial system. The major objective of the reforms was to create a viable and efficient banking system, which would thereby improve the productivity and efficiency of the financial sector. The chief merit of the reform process was that reform measures were undertaken and implemented gradually and cautiously.

The second phase of banking reforms is underway. The second generation reforms are those that did not form part of the first generation reforms but needed to be prioritised in the agenda for the next decade. The second generation banking reforms aim to strengthen the banking sector through rigorous operational, prudential and accounting norms, improvement in the credit delivery system and to move towards international best practices in areas relating to banking policy, and legislation. It is expected that the Indian banking system will emerge as strong and efficient in the new millennium.

8.2.2 OPERATIONAL PERFORMANCE OF PUBLIC AND PRIVATE SECTOR BANKS IN INDIA

Branch Expansion:

- The exponential growth rate of branches for all the public sector banks, as computed at the end of March 2010, was 1.43 per cent. At
the end of March 2010, Oriental Bank of Commerce showed the highest exponential growth (5.80%), followed by Corporation Bank (5.09%) and Andhra Bank (2.33%). Lowest exponential growth rate was witnessed in the case of Dena Bank (0.30%), followed by United Bank of India (0.37%) and Indian Bank (0.48%). In the year 2010, maximum number of branches were witnessed in the case of State Bank of India (12495), followed by Punjab National Bank (4735) and Central Bank of India (3587). The minimum number of branches were witnessed in the case of State Bank of Indore (471), followed by State Bank of Mysore (689) and State Bank of Travancore (753). All the public sector banks taken together under study had average number of 46533 branches. Maximum average number of branches had been recorded for State Bank of India (9319), followed by Punjab National Bank (3858) and Central Bank of India (3159), while minimum average branches had been recorded in the case of State Bank of Indore (404), followed by State Bank of Mysore (592) and State Bank of Travancore (673). The coefficient of variation regarding branch expansion in public sector banks was highest in the case of Oriental Bank of Commerce (31.06%), while it was lowest in Dena Bank (2.78%).

- The exponential growth rate of branches for all private sector banks, as computed at the end of March 2010 was 6.82 per cent. At the end of March 2010, HDFC Bank registered the highest exponential growth (47.18%) followed by ICICI Bank (44.36%) and Axis Bank (43.41%). Lowest exponential growth rate was witnessed in the case of Lakshami Vilas Bank (1.87%), followed by Ratnakar Bank (2.05%) and Catholic Syrian Bank (2.11%). Maximum average number of branches were recorded in the case of ICICI Bank (499), followed by Federal Bank (439) and HDFC Bank (402), while minimum average number of branches were recorded in the case of SBI Commercial & International Bank (2), followed by Development Credit Bank (63) and Nainital Bank (64). All the private sector banks taken together under study recorded an average number of 4371 branches. The coefficient of variation
regarding branch expansion in private sector banks was highest in the case of HDFC Bank (127.14%) while the ratio was lowest in SBI Commercial & International Bank (0.00%).

- **DEPOSIT MOBILIZATION**

There was increase in the deposits mobilized by public sector banks operating in India during the period under study. Average deposits for the years 1992 to 2010 of all public sector banks taken together under study were Rs. 110632290 lakh. State Bank of India had highest average deposits (Rs. 27207202 lakh), followed by Punjab National Bank (Rs. 7813023 lakh) and Canara Bank (Rs. 7465607 lakh). On the other hand, State Bank of Indore recorded lowest average deposits (Rs. 982540 lakh), followed by State Bank of Mysore (Rs. 1136614 lakh) and Punjab & Sind Bank (Rs. 1343209 lakh). Oriental Bank of Commerce recorded the highest exponential growth (20.96%) in deposit mobilized during the study period. During the same period Indian Bank showed the lowest exponential growth (11.48%) in deposit mobilized. The exponential growth rate of demand deposits of all Public Sector Banks in India was 11.89 per cent. Oriental Bank of Commerce exhibited highest exponential growth rate in demand deposits (17.80%). In case of saving deposits overall exponential growth was 17.10 per cent during the study period. Corporation Bank showed highest exponential growth, i.e., 21.21 per cent, whereas lowest exponential growth had been shown by Punjab & Sind Bank (14.66%) in saving deposits. The highest exponential growth during the study period pertained to State Bank of Indore (22.43%), followed by Oriental Bank of Commerce (21.74%) and Corporation Bank (21.55%). Indian Bank exhibited the lowest exponential growth of 11.56 per cent during the study period. Average term deposits for the years 1992 to 2010 of all the public sector banks taken together under study were Rs. 72574573 lakh. State Bank of India showed highest average term deposits (Rs. 16047071 lakh), while State Bank of Indore recorded lowest average term deposits (Rs. 677492 lakh).
An increasing trend was witnessed in the deposits mobilized by private sector banks operating in India during the period 1992 to 2010. Average deposits from the year 1992 to 2010 of all private sector banks taken together under study amounted to Rs. 21449291 lakh. The maximum average deposits were recorded in the case of ICICI Bank (Rs. 8412019 lakh), followed by HDFC Bank (Rs. 4185448 lakh) and Axis Bank (Rs. 3439839 lakh), whereas minimum average deposits for SBI Commercial & International Bank (Rs. 44067 lakh), followed by Ratanakar Bank (Rs. 57563 lakh) and Nainital Bank (Rs. 77865 lakh). ICICI Bank recorded the highest exponential growth (57.11%), while SBI Commercial & International Bank showed the lowest exponential growth (1.84%) in deposit mobilized. All the private sector banks recorded steady growth in mobilizing demand deposits. The exponential growth rate of demand deposits of all private sector banks in India was 29.38 per cent. Axis Bank exhibited highest exponential growth rate in demand deposits (51.82%). In case of saving deposits overall exponential growth was 31.42 per cent during the study period. Axis Bank showed highest exponential growth i.e. 87.42 per cent, while lowest exponential growth was shown by Catholic Syrian Bank (14.90%). In case of term deposits, the highest exponential growth during the study period pertained to ICICI Bank (57.20%), followed by HDFC Bank (42.37%) and Axis Bank (40.98%). SBI Commercial & International Bank exhibited the lowest exponential growth of 1.10 per cent during the study period in case of term deposits.

**CREDIT DEPLOYMENT**

Public sector banks in India had shown moderate growth in credit deployment. Average credit deployment for the years 1992 to 2010 of all public sector banks taken together under study were Rs. 70627344 lakh. State Bank of India had highest average credit deployment (Rs. 18324270 lakh), followed by Punjab National Bank (Rs. 5087191 lakh) and Bank of India (Rs. 4957380 lakh), while State Bank of Indore recorded lowest average credit deployment.
(Rs. 700270 lakh), followed by Punjab & Sind Bank (Rs. 790602 lakh) and State Bank of Mysore (Rs. 805713 lakh). The annual growth rate of credit deployment was highest in case of Central Bank of India (25.55%). On the other hand, it was lowest in case of Indian Bank (12.71%). Bank of India exhibited the highest exponential growth in bills purchased & discounted (20.46%), followed by Corporation Bank (14.67%) and State bank of Travancore (14.47%) during the study period. The exponential growth rate of term loans of all public sector banks was 23.64 per cent. Oriental Bank of Commerce showed highest exponential growth of 30.59 per cent during the study period, followed by State Bank of Patiala (30.30%) and State Bank of Mysore (30.14%).

- Average credit deployment from the year 1992 to 2010 of all private sector banks taken together under study amounted to Rs. 15558052 lakh. The maximum average credit deployment was recorded in the case of ICICI Bank (Rs. 7727956 lakh), followed by HDFC Bank (Rs. 2770683 lakh) and Axis Bank (Rs. 2224548 lakh), while minimum was recorded for SBI Commercial & International Bank (Rs. 23810 lakh), followed by Ratnakar Bank (Rs. 32390 lakh) and Nainital Bank (Rs. 33989 lakh). The annual growth rate of advances credit deployment was highest in the case of ICICI Bank (66.37%), followed by HDFC Bank (56.66%) and Axis Bank (45.28%), whereas it was lowest in the case of SBI Commercial & International Bank (1.87%). ICICI Bank exhibited the highest exponential growth in bills purchased and discounted (53.87%), followed by HDFC Bank (38.22%) and Axis Bank (22.20%). The exponential growth rate in bills purchased & discounted during the study period was (24.61%). In case of Cash Credits and Overdrafts, the overall exponential growth rate of all private sector banks was 25.46 per cent during the study period. The highest exponential growth rate was recorded for HDFC Bank (51.59%), followed by ICICI Bank (46.56%), while lowest exponential growth rate pertained to Development Credit Bank (9.76%). ICICI Bank
showed highest exponential growth of 114.60 per cent for term
loans during the study period and it was followed by Axis Bank
64.32 per cent and HDFC Bank (63.44%).

**TOTAL INCOME**

- In case of public sector banks, the highest exponential growth rate of
total income over the study period was portrayed by Corporation Bank
(18.80%), followed by Oriental Bank of Commerce (18.52%) and State
Bank of Indore (16.89%). The lowest exponential growth rate of total
income during the study period pertained to Indian Bank (10.51%),
followed by Bank of Baroda (11.07%) and Central Bank of India
(12.13%). Average total income for the years 1992 to 2010 of all public
sector banks taken together under study were Rs. 12248119 lakh.
State Bank of India had highest average total income (Rs. 3328791
lakh) followed by Punjab National Bank (Rs. 855578 lakh) and Canara
Bank (Rs. 807137 lakh). While State Bank of Indore recorded lowest
average total income (Rs. 114602 lakh) followed by State Bank of
Mysore (Rs. 137713 lakh) and Punjab & Sind Bank (Rs. 147746 lakh).
Corporation Bank exhibited the highest exponential growth rate
(18.55%) in interest income, followed by Oriental Bank of Commerce
(18.16%) and State Bank of Indore (16.82%). The lowest exponential
growth rate in interest income pertained to Indian Bank (10.08%).
Non-interest income constituted a marginal part of the total income of
public sector banks in India during the study period. The non-interest
income in banks under study rose from Rs. 363467 lakh in 1992 to
Rs. 4659150 lakh in 2010. This connotes an exponential growth rate
of 14.79 per cent over the study period.

- In case of private sector banks, the highest exponential growth rate of
total income over the study period was portrayed by ICICI Bank
(65.15%), followed by HDFC Bank (52.46%) and Axis Bank (44.14%).
SBI Commercial & International Bank witnessed an annual decline of
-3.16 per cent. The lowest exponential growth rate of total income
during the period covered by the study pertained to Catholic Syrian
Bank (11.99%). Average total income from the year 1992 to 2010 of all
private sector banks taken together under study amounted to Rs. 2672852 lakh. The maximum average total income were recorded in ICICI Bank (Rs. 1267612 lakh) followed by HDFC Bank (Rs. 505134 lakh) and Axis Bank (Rs. 362298 lakh) and minimum total income for SBI Commercial & International Bank (Rs. 5900 lakh) followed by Ratnakar Bank (Rs. 6491 lakh) and Nainital Bank (Rs. 7838 lakh). ICICI Bank (64.95%) exhibited the highest exponential growth rate in interest income, followed by HDFC Bank (51.81%) and Axis Bank (42.78%). SBI Commercial & International Bank showed an annual decline of -3.32 per cent. The lowest exponential growth rate in interest income pertained to Catholic Syrian Bank (11.44%). The non-interest income in banks under study rose from Rs. 89943 lakh in 1992 to Rs. 1859908 lakh in 2010. This connotes an exponential growth rate of 36.98 per cent over the study period. ICICI Bank exhibited highest exponential growth rate (66.80%), while lowest exponential growth rate pertained to Lakshami Vilas Bank (12.22%). SBI Commercial & International Bank exhibited an annual decline (4.45%).

**TOTAL EXPENDITURE**

- For public sector banks, the total expenditure increased from Rs. 2840919 lakh in 1992 to Rs. 26317835 lakh in 2010. Taking all public sector banks, as a whole, the exponential growth rate in total expenditure during the study period was 12.23 per cent. The highest exponential growth rate during the study period was observed in the case of Corporation Bank (18.10%), whereas lowest exponential growth rate of total expenditure pertained to Indian Bank (7.91%). Average total expenditure for the years 1992 to 2010 of all public sector banks taken together under study were Rs. 9745012lakh. State Bank of India had highest average total expenditure (Rs. 2620970 lakh) followed by Punjab National Bank (Rs. 655755 lakh) and Canara Bank (Rs. 631291 lakh). While State Bank of Indore recorded lowest average total expenditure (Rs. 88391 lakh) followed by State Bank of Mysore (Rs. 10785 lakh) and Punjab & Sind Bank (Rs. 125787 lakh).
In absolute terms, interest paid on deposits and borrowings showed rising trend during the entire study period. The interest paid on deposits and borrowings increased from Rs. 2069116 lakh in 1992 to Rs. 19893484 lakh in 2010. The highest exponential growth rate of interest paid on deposits and borrowings was observed in case of Oriental Bank of Commerce (18.71%), while Indian Bank showed lowest growth rate (7.00%). The expenditure on operating activities increased from Rs. 771804 lakh in 1992 to Rs. 6424351 lakh in 2010, at an exponential growth rate of 11.61 per cent over the study period. The highest exponential growth rate during the study period was in respect of Corporation Bank (16.74%), followed by Oriental Bank of Commerce (15.93%) and Andhra Bank (13.55%). The lowest exponential growth rate pertaining to Central Bank of India (8.94%), followed by UCO Bank (9.66%) and Dena Bank (9.71%).

- For private sector banks, the total expenditure increased from Rs. 77667 lakh in 1992 to Rs. 6717671 lakh in 2010. Taking all private sector banks together, the exponential growth rate in total expenditure during the study period was 30.23 per cent. The highest exponential growth rate during the study period was observed in the case of ICICI Bank (64.96%), while the lowest exponential growth rate of total expenditure pertained to Catholic Syrian Bank (11.21%). Average total expenditure from the year 1992 to 2010 of all private sector banks taken together under study amounted to Rs. 2029849 lakh. The maximum average total expenditure were recorded in ICICI Bank (Rs. 982225 lakh) followed by HDFC Bank (Rs. 350512 lakh) and Axis Bank (Rs. 261912 lakh) and minimum total expenditure for SBI Commercial & International Bank (Rs. 4587 lakh) followed by Ratnakar Bank (Rs. 5213 lakh) and Nainital Bank (Rs. 5969 lakh). The interest paid on deposits and borrowings increased from Rs. 51118 lakh in 1992 to Rs. 4682335 lakh in 2010. The highest exponential growth rate of interest paid on deposits and borrowings was observed in the case of ICICI Bank (65.46%), while SBI Commercial & International Bank showed annual decline (5.99%).
operating expenditure increased from Rs. 26551 lakh in 1992 to Rs. 2035336 lakh in 2010, at an exponential growth rate of 30.47 per cent over the study period. The highest exponential growth rate during the study period was in respect of ICICI Bank (65.18%), followed by HDFC Bank (55.26%) and Axis Bank (49.73%). The lowest exponential growth rate pertained to SBI Commercial & International Bank (3.19%), followed by Catholic Syrian Bank (12.31%) and Lakshami Vilas Bank (12.54%). Axis Bank, HDFC Bank and ICICI Bank recorded higher growth rate as compared to exponential growth rate of all private sector banks taken together.

8.2.3 PROFITABILITY OF PUBLIC AND PRIVATE SECTOR BANKS IN INDIA

Profit is the main reason for the continued existence of every commercial organization, and profitability depicts the relationship of the absolute amount of profit with various other factors. The main sources of operating income of a commercial bank are — interest and discount earned, commission, brokerage, income from non-banking assets and profit from sale of or dealing with such asset and other receipts. The expenditure broadly consists of – interest paid on deposits and borrowings and non-interest cost or charges incurred on staff salary, stationery, rent, law charges, postage, telegram, telephone, etc. An attempt has been made to estimate the impact of selected variables on bank profitability for the public and private sector banks in India. The data was collected for the period 1992 to 2010. For this purpose, correlation analysis and regression analysis have been undertaken to determine the variables affecting profitability of the bank under study.

Variables Influencing Profitability of Banks

Net Profit as a percentage of Total Assets has been taken as dependent variable, i.e., (Y1) and 12 other variables have been taken as variables affecting the profitability. Ratio analysis has been used to evaluate the profitability performance of public sector banks. The data for the selected variables has been pooled together for each of the public and private sector
banks separately, for the entire study period of 19 years. The following 12 independent variables (X1 to X12) were selected for the study:

**Net Profit as Percentage of Total Assets**

Net profits implies the balance of Profit & Loss account, and the maximum average ratio of net profits as percentage of total assets in the case of public sector banks was recorded for Corporation Bank (1.14%), while minimum average ratio was shown by Indian Bank (-0.57%). Thus, Corporation Bank was more profitable bank and Indian Bank, the least profitable bank with respect to this ratio over the period of study. Further, the ratio was more consistent in terms of dispersion for Central Bank of India (-8622.95%) and less consistent for Syndicate Bank (5290.30%).

Bank wise statistical analysis for private sector banks showed maximum average ratio for Karur Vysya Bank (1.60%) and minimum average ratio had shown by Development Credit Bank (0.56%). Thus, Karur Vysya Bank was more profitable bank and Catholic Syrian Bank, the least profitable bank with respect to this ratio over the period of study. Further, the ratio was more consistent in terms of dispersion for State Bank of Hyderabad (33.55%), while less consistent for Syndicate Bank (5290.30%).

**Spread as Percentage of Total Assets**

In case of public sector banks, the bank-wise statistical analysis showed maximum average ratio for State Bank of Patiala (3.30%), while the minimum average ratio for UCO Bank (2.05%). Maximum variations in the ratio were witnessed by Indian Bank (45.41% C.V.), whereas minimum variations had been recorded for Punjab & Sind Bank (9.36%). For private sector banks, the bank-wise statistical analysis showed maximum average ratio for Nainital Bank (3.79%). On the other hand, the minimum average ratio was presented by SBI Commercial & International Bank (1.74%). Maximum variations in the ratio were witnessed by SBI Commercial & International Bank (40.99% C.V.), while minimum for Nainital Bank (10.24%).

**Burden as Percentage to Total Assets**

In case of public sector banks the lowest average burden ratio was recorded for Corporation Bank (0.44%), whereas maximum average burden ratio for
Syndicate Bank (1.83%). Thus, Corporation Bank was at a better position and Syndicate at a worst position with respect to burden ratio for the period under study. Maximum variation (C.V.) and least consistency in the ratio was found for Corporation Bank (102.72%). On the other hand, minimum variation and maximum consistency was observed for Punjab National Bank (37.05%).

In case of private sector banks the lowest average burden ratio was recorded for SBI Commercial & International Bank (-0.47%), while maximum average burden ratio for Nainital Bank (2.10%). Thus, SBI Commercial & International Bank was at a better position and Nainital Bank at a worst position with respect to burden ratio for the period under study. Maximum variation (C.V.) and least consistency in the ratio was found for Karnatka Bank (201.65%). On the other hand, minimum variation and maximum consistency was observed for Axis Bank (-610.81%).

**Priority Sector Advances to Total Advances**

In case of public sector banks maximum average ratio recorded for State Bank of Indore (40.22%), while minimum for Bank of India (25.82%). The ratio in terms of dispersion was more consistent for Vijaya Bank (6.31%) and less consistent in case of Indian Bank (20.47%).

In case of private sector banks maximum average ratio was recorded for Nainital Bank (50.64%) and minimum for SBI Commercial & International Bank (16.97%). The ratio in terms of dispersion was more consistent for Tamilnad Mercantile Bank (7.12%) and less consistent in case of SBI Commercial & International Bank (90.55%).

**Total Credit as Percentage of Total Deposits**

Bank-wise statistical analysis showed maximum average ratio for Bank of India (62.87%) and minimum average ratio was shown by United Bank of India (41.80%) in case of public sector banks. Further, the ratio was more consistent in terms of dispersion for State Bank of Patiala (13.05%) and less consistent for United Bank of India (31.24%).

In case of private sector banks, bank-wise statistical analysis showed maximum average ratio for ICICI Bank (77.40%) and minimum for Nainital Bank (35.88%). The ratio in terms of dispersion was more consistent for
Term Deposits as Percentage of Total Deposits
Bank-wise statistical analysis in case of public sector banks showed maximum average ratio for Oriental Bank of Commerce (70.64%) and minimum average ratio for Punjab & Sind Bank (55.91%). Further, the ratio was more consistent in terms of dispersion for Bank of Baroda (3.22%) and less consistent for State Bank of Patiala (13.51%). For private sector banks maximum average ratio was recorded for SBI Commercial & International Bank (90.69%) and minimum average ratio for Nainital Bank (53.22%). Further, the ratio was more consistent in terms of dispersion for SBI Commercial & International Bank (4.19%) and less consistent for HDFC Bank (13.93%).

Saving Deposits as Percentage of Total Deposits
This ratio was calculated as proportion of saving deposits to total deposits. Bank-wise statistical analysis for public sector banks showed maximum average ratio for Punjab & Sind Bank (31.95%) and the minimum average ratio for Corporation Bank (15.60%). Maximum variations in the ratio was witnessed by Indian Bank (22.30% C.V.), while minimum variations were recorded for State Bank of Hyderabad (4.34%). Bank-wise statistical analysis for private sector banks showed maximum average ratio for Nainital Bank (37.81%) and the minimum average ratio for IndusInd Bank (3.18%). Maximum variations in the ratio were witnessed by Axis Bank (79.80% C.V.) and minimum for Nainital Bank (6.78%).

Demand Deposits as Percentage of Total Deposits
This ratio is worked out to find out the proportion of demand deposits to total deposits. Bank-wise analysis for public sector banks showed the lowest average ratio for State Bank of Travancore (8.64%) and maximum average ratio for State Bank of India (19.49%). Maximum variation (C.V.) and least consistency in the ratio were found for State Bank of Patiala (39.48%). On the other hand, minimum variation and maximum consistency was observed for United Bank of India (15.05%).
Bank-wise analysis for private sector banks showed the lowest average ratio for SBI Commercial & International Bank (4.44%) and maximum average ratio for HDFC Bank (26.41%). Maximum variation (C.V.) and least consistency in the ratio were found for ICICI Bank (63.15%) and on the other hand, minimum variation and maximum consistency was observed for Dhanlaxmi Bank (17.40%).

**Establishment Expenses as Percentage of Total Assets**

Bank-wise analysis for public sector banks showed the lowest average ratio for Oriental Bank of Commerce (1.05%) and maximum average ratio for Syndicate Bank (2.15%). Maximum variations (C.V.) and least consistency in the ratio were found for State Bank of Indore (38.96%), whereas minimum variation and maximum consistency was observed for Bank of Baroda (16.97%).

In the case of private sector banks, the lowest average ratio was recorded for IndusInd Bank (0.32%) and maximum average ratio for Catholic Syrian Bank (1.99%). Maximum variations (C.V.) and least consistency in the ratio were found for IndusInd Bank (67.59%) and on the other hand, minimum variations and maximum consistency were observed for Catholic Syrian Bank (12.78%).

**Total Credit as Percentage of Total Assets**

In the year 2010 highest ratio was witnessed by State Bank of Indore (66.94%) and lowest in case of United Bank of India (41.81%). Bank-wise statistical analysis showed maximum average ratio for Bank of India (52.78%) and minimum for United Bank of India (35.83%). The ratio in terms of dispersion was more consistent for Bank of India (13.28%) and less consistent in case of United Bank of India (32.93%).

Bank wise statistical analysis in case of private sector banks showed maximum average ratio for IndusInd Bank (52.97%) and minimum average ratio had shown by Nainital Bank (32.16%). The ratio was more consistent in terms of dispersion for IndusInd Bank (8.82%) and less consistent for HDFC Bank (35.51%).
Other Income as Percentage of Total Income

Non-interest income of banks represents income earned by way of commission, brokerage, service charges and other miscellaneous receipts. Bank-wise statistical analysis revealed maximum average ratio for State Bank of Mysore (16.05%) and minimum average ratio for Oriental Bank of Commerce (10.09%). The ratio was more consistent and least variation was found in case of State Bank of India (14.12%) and less consistent and more variable for State Bank of Patiala (36.29%).

Bank-wise statistical analysis for private sector banks revealed maximum average ratio for ICICI Bank (21.58%) and minimum average ratio for Nainital Bank (6.45%). The ratio was more consistent and least variation was found in case of HDFC Bank (17.75%) and less consistent and more variable for Ratnakar Bank (65.07%).

Capital as Percentage of Total Assets

This ratio is worked out to establish the relationship between capital as a percentage to total assets. Bank-wise analysis in case of public sector banks showed the lowest average ratio for State Bank of Hyderabad (0.14%) and maximum average ratio for United Bank of India (7.31%). Maximum variations (C.V.) and least consistency in the ratio were found for Bank of India (110.69%) and minimum variation and maximum consistency was observed for United Bank of India (48.91%).

Bank-wise analysis for private sector banks showed the lowest average ratio for Tamilnad Mercantile Bank (0.01%) and maximum average ratio for SBI Commercial & International Bank (16.84%). Maximum variation (C.V.) and least consistency in the ratio were found for ICICI Bank (167.56%) and minimum variation and maximum consistency was observed for SBI Commercial & International Bank (17.17%).

Borrowings as Percentage of Total Liabilities

Bank-wise statistical analysis for public sector banks revealed maximum average ratio for State Bank of India (5.87%) and minimum average ratio for Central Bank of India (0.99%) followed by Allahabad Bank (1.30%) and United Bank of India (1.44%). The ratio was more consistent and least
variation was found in case of Bank of India (30.72%) and less consistent and more variable for Syndicate Bank (125.94%).

Bank-wise statistical analysis for private sector banks revealed maximum average ratio for ICICI Bank (16.51%) and minimum average ratio for Nainital Bank (0.39%). The ratio was more consistent and least variation was found in case of Federal Bank (49.60%) and less consistent and more variable for Ratnakar Bank (119.66%)

**Correlation Analysis for Public Sector Banks**

Five variables, namely, spread as percentage of total assets (X1), priority sector advances as percentage of total advances (X3), total credit as percentage of total deposits (X4), total credit as percentage of total assets (X9) and other income as percentage of total income (X11) have significant positive correlation with bank profitability and the coefficients are 0.532, 0.147, 0.301, 0.312 and 0.290 respectively. Other three variables, namely, burden as percentage of total assets (X2), establishment expenditure as percentage of total assets (X8) and capital as percentage of total assets (X11) have significant but negative correlation with the profitability with coefficients of −0.490, −0.363 and −0.433 respectively. Few of the twelve independent variables are also significantly correlated with each other. Spread as percentage of total assets (X1) has positive significant correlation with 6 other variables namely, X3, X6, X7, X8 and X10. Similarly, burden as percentage to total assets (X2) has positively correlated with four variables, namely, X6, X7, X8 and X11 respectively. Thus, over the period of study, spread as percentage of total assets continues to have significant and positive relationship with bank profitability and burden as percentage of total assets (X2) continues to have significant but negative association with bank profitability (Y1) for the twenty six public sector banks under study. Moreover, it can be concluded that although the variables are significantly associated with each other, none of the coefficients is so high as to evidence the presence of multi collinearity during 1992-2010.

**Correlation Analysis for Private Sector Banks**

Three variables, namely, spread as percentage of total assets (X1), demand deposits as percentage of total deposits (X7), and other income as percentage of total income (X10) have significant positive correlation with
bank profitability and the coefficients are 0.263, 0.160 and 0.182 respectively. Other three variables, namely, burden as percentage of total assets (X2), Saving deposits as percentage of fixed deposits (X6), and establishment expenditure as percentage of total assets (X8) have significant but negative correlation with the profitability with coefficients of -0.356, -0.116, and -0.235 respectively. Few independent variables are also significantly correlated with each other during 1992-2010. Spread as percentage of total assets (X1) has significant correlation with five other variables namely X2, X3, X6, X7 and X8. Similarly Burden as percentage to total assets (X2) has positively correlated with four variables namely X3, X6 and X8 respectively. Thus, over the period of study, spread as percentage of total assets continues to have significant and positive relationship with bank profitability and burden as percentage of total assets (X2) continues to have significant but negative association with bank profitability (Y1) for the public sector banks under study. Moreover, it can be concluded that although the variables are significantly associated with each other, none of the coefficients is so high as to evidence the presence of multi collinearity during 1992-2010.

**Multiple Regression Study**

Multiple regression analysis explain the variations in profitability for the public and private sector banks in India.

**Step Wise Multiple Regression Analysis of Public Sector Banks (1992-2010)**

The multiple regression analysis revealed that spread as percentage of total assets (X1) entered the regression model in first step, singularly explaining 28.2 per cent variation in bank profitability with significant regression coefficient of 0.930. In the second step, burden as percentage of total assets (X2) entered the analysis and together with X1 explained 58.9 per cent variation in bank profitability. In the third step, other income as percentage to total income X10 was found to be significantly affecting profitability and the three variables (X1, X2 and X10) collectively explained 62 per cent of variation in bank profitability. Next, demand deposits as percentage of total deposits (X7) and priority sector advances as percentage of total advances
(X3) become significant variable and entered the regression model in fourth and fifth step with regression coefficients of -0.041 and -0.016 respectively. After the fifth step, no other variable was found to significantly affect the profitability of public sector banks.

The multivariate analysis of public sector banks for the study period concludes:

\[ Y_1 = 0.283 + 1.249(X1) - 1.161(X2) - 0.068(X10) - 0.045(X7) - 0.016(X3) + \varepsilon. \]

**Step Wise Multiple Regression Analysis of Private Sector Banks (1992-2010)**

The analysis revealed that burden as percentage of total assets X2 (regression coefficient -0.311) entered the regression model in first step, singularly explaining 12 per cent variation in bank profitability. In the second step, spread as percentage of total assets (X1) entered the regression model, with this the value of adjusted R Square sharply increases to 39.7 per cent. In the third step, priority sector advances as percentage to total advances (X3) was found to be significantly affecting profitability and the three variables (X2, X1 and X3) collectively explained 40.6 per cent of variation in bank profitability. Next, other income as percentage of total income (X10) and borrowings as percentage of total liabilities (X12) became significant variable and entered the regression model in fourth and fifth step with regression coefficients of -0.022 and 0.018 respectively. After the fifth step, no other variable was found to significantly affect the profitability of private sector banks. The multivariate analysis of private sector banks for the study period concludes:

\[ Y_1 = -0.214 - 0.721(X2) + 0.585(X1) + 0.011(X3) - 0.027(X10) + 0.018(X12) + \varepsilon. \]

### 8.2.4 Productivity and Efficiency of Public and Private Sector Banks in India

Productivity, efficiency and effectiveness are often confused with each other. Efficiency is the ratio of actual output to standard output expected. Effectiveness is the degree of accomplishment of objectives. The relative productivity of selected public sector banks and private sector banks for the years 1992, 1999, 2004 and 2010 has been calculated. (These years have been selected as, 1992-Banking Sector Reforms Phase I, 1999-Second phase...
of Banking Sector Reforms, 2004-year of Basel accord II and 2010-last year of study period) For the purpose of analysis inputs considered were: employees, net worth, deposits and borrowings. The output considered were: investments, advances, interest income and non-interest income. For the purpose of analysis, Data Envelopment Technique of measuring relative productivity of banks has been used. EMS (Efficiency Measurement Software) has been used for calculations.

- In the year 1992, 21 public sector banks were operating above the level of efficiency. State Bank of India was the most efficient bank with efficiency score of 131.07 per cent. Vijaya Bank was at the lowest rank among efficient public sector banks with efficiency score of 100.12 per cent. UCO Bank, Punjab & Sind Bank, Corporation Bank, Syndicate Bank and Andhra Bank were inefficient banks among public sector banks in 1992. The main reason of inefficiency of these banks was that these were not capable of generating interest income efficiently. Among private sector banks in the year 1992, Jammu & Kashmir Bank stood at top position with efficiency score of 158.97 per cent and City Union Bank was at bottom position with efficiency score of 103.36 per cent. In total 13 private sector banks were operating above the efficiency level of 100 per cent, whereas, Karur Vysya Bank, Nainital Bank and Catholic Syrian Bank were operating below the efficiency level of 100 per cent. These banks suffered with incapability in providing adequate amount of advances with the available level of inputs and problem of over staffing also existed in these inefficient banks.

- In the year 1999, 17 public sector banks among the total of 26 public sector banks under study were operating above the efficiency level of 100 per cent. Union Bank of India stood at first position with productivity score of 170.99 per cent and State Bank of Travancore with efficiency score of 102.25 per cent stood at lowest rank among efficient public sector banks. 9 public sector banks were operating below the productivity score of 100 per cent. Among private sector banks, only one bank, i.e., Development Credit Bank was operating
below the efficiency level of 100 per cent and rest of private sector banks under study were operating above the efficiency level of 100 per cent. Bank of Rajasthan stood at first position with efficiency score of 236.72 per cent and Karur Vysya Bank with productivity score of 101.41 per cent stood at lowest position among efficient private sector banks.

- In 2004, Punjab & Sind Bank was the top performer bank among efficient public sector banks under study with efficiency score of 249.86 per cent. State Bank of Bikaner & Jaipur stood at lowest position with efficiency score of 101.12 per cent. Seven public sector banks were operating below the efficiency level of 100 per cent among public sector banks. In case of private sector banks, 17 banks were operating above the efficiency score of 100 per cent. Nainital Bank, SBI Commercial & International Bank and Axis Bank stood at top 1st, 2nd and 3rd positions respectively among efficient private sector banks. City Union Bank, Ratanakar Bank and Karnataka Bank stood at bottom three positions respectively. Development Credit Bank and Jammu & Kashmir Bank with efficiency score of 95.16 per cent and 97.22 per cent respectively, found to be inefficient among private sector banks under study.

- During 2010, the productivity scores indicate that Indian Bank was the most efficient bank among public sector banks. Its productivity score was 225.26 per cent. It was benchmark for Union Bank of India and Punjab & Sind Bank. United Bank of India stood at second position with efficiency score of 161.68 per cent. Corporation Bank and Oriental Bank of Commerce were at 3rd and 4th positions with efficiency scores of 148.45 per cent and 139.05 per cent respectively. Bank of Baroda, State Bank of Hyderabad and State Bank of Mysore, occupied bottom three positions with productivity scores of 102.06 per cent, 101.73 per cent and 101.33 per cent respectively. In private sector banks, Bank of Rajasthan was the top performer among private sector banks group with the productivity score of 809.45 per cent. It proved benchmark for Nainital Bank. SBI Commercial & International
Bank occupied second position with efficiency score of 254.75 per cent. Development credit Bank with efficiency score of 101.73 per cent stood and Karur Vysya Bank with productivity score of 101.24 per cent occupied bottom two positions under study for the year 2010.

In nutshell, in the year 1992, 5 public sector banks and 3 private sector banks were operating below the efficiency level, in the year 1999, 9 public sector banks and 1 private sector bank were operating below the efficiency level, in the year 2004, 7 public sector banks and 2 private sector banks were operating below the efficiency level, in the year 2010, 4 public sector banks and 2 private sector banks were operating below the efficiency level.

**Sources of Inefficiency**

- The results reveal that in the year 1992 only 1 public sector bank, in 1999, 3 public sector banks and in 2004, 2 public sector banks out of total 26 public sector banks were found to be inefficient because of excess employees.

- Among private sector banks only 3 banks in the year 1992 were found to be inefficient out of total 13 private sector banks because of over staffing while in 2010, 2 private sector banks out of 19 private sector banks was found to be over burdened with employees. Borrowings and deposits were the other main inputs which were not properly utilized by public sector banks over the years under study. It was found that public sector banks have to concentrate on enhancing interest income and non interest income to become efficient with same level of inputs. The major source of inefficiency among private sector banks was over staffing. Private sector banks too need to augment their non interest income and interest income. More concentration should be put on advances and borrowings in case of public sector banks as compared to private sector banks.

**8.2.5 PERCEPTION OF BANK OFFICIALS REGARDING PERFORMANCE OF BANKS**
To study the perception of bank employees regarding performance of banks in relation to loans, various questions regarding deposits, loans, profitability, productivity and overall working of banks have been asked.

- A large number of employees among public sector banks believe that agricultural loans are found to be most risky as compared to business loans, followed by home loans and consumption loans. A large number of employees in private sector banks believe that loans for business are found to be most risky as compared to agricultural loans, followed by consumption loans and home loans.

- Every bank has its own criteria for advancing loans to the customers. A number of factors are considered by the banks before accepting a proposal for a loan. Suitability of a proposal depends on a number of factors, i.e., ability to generate adequate surplus after the repayment of all the installments, security against the loan, capability and character of the client, technical feasibility, and sound infrastructure and other facilities available with the client. The public sector bank employees identified the supporting facilities, and infrastructure facilities, and marketing facilities as relatively less important variables but attached greater importance to security of loan, capability of the client, credit worthiness of the client, and potential incremental income of the client. However, the private sector bank employees identified supporting facilities and infrastructure facilities as relatively less important variables but attached greater importance to security of loan, marketing facilities, credit worthiness of the client, potential incremental income of the client and capability of the client. There has been a significant statistical difference in both public and private sector banks regarding the variables such as, capability of the client, supporting facilities and infrastructural facilities.

- After the receipt of a loan application, pre-sanction surveys are conducted by the bank. Thereafter, the amount of sanction is determined. Nevertheless, sanction of a loan takes its own time. It is observed that the time taken, on an average, by the public and private sector banks while sanctioning of a loan. It is observed that in the
opinion of 88 per cent respondents of public sector banks, it took up to 14 days to sanction a loan, while the remaining 12 per cent respondents revealed that it took more than 15 days to sanction a loan in the case of public sector banks. If we have a glance at the data given against the private sector banks, we find that majority of the respondents, i.e., 84 per cent claimed the sanction of a loan within a period of 14 days, whereas the rest 16 per cent of the respondents revealed that it took even more than this period of time.

- Disbursement of a loan is based on the requirement of the borrower, subject to the limits put by the Reserve Bank of India. Majority of the respondents from the public sector banks, i.e., 64 per cent revealed that disbursement of a loan is made by their bank within a period of one week, while the percentages for those who described the disbursement period as 8-14 days and above 15 days are 20 per cent and 16 per cent respectively. However, in the case of private sector banks, the similar percentages are 72 per cent, 20 per cent and 8 per cent respectively.

- In response to the question whether there is any excess time lag in sanction/disbursement of loans, most of the respondents, i.e., 81 per cent replied in the positive. Respondent employees were of the view that the major reasons for the delay was incomplete information provided by the borrowers and inadequate staff at the branch level. The other reasons include lack of adequate discretionary powers with the branch managers, inexperienced staff and delay in recommendation of loans in the case of both public and private sector banks. Private sector bank employees perceive that lack of submission of incomplete information by the borrower, inadequate staff at the branch level, lack of adequate discretionary powers with the branch manager and inexperienced staff are the major reasons which lead to delay in sanctioning of loans. However, public sector banks have recorded a high mean score with regard to inadequate staff at the branch level. Statistical difference is found in the case of submission of incomplete information by the borrower. Regarding the lack of
adequate discretionary powers, inexperienced and inadequate staff, and delay in recommendation of loans, there seems to be no statistical difference in public and private sector banks.

- The bank employees were asked to give the factors responsible for gap in loan amount and recovered amount. The response data concerning both public and private sector banks shown in the table indicates that inadequate income due to insufficient credit, wilful default made by the borrowers, and misappropriation of the loan amount are the main reasons for low recovery of loans. Other factors of relatively less importance are wrong identification of the project for which loan is granted and inadequate arrangements for recovery by the bank. The respondents from the private sector banks perceive that inadequate income due to insufficient credit, wilful default, and misappropriation of credit are the major reasons for low recovery of loans. However, public sector banks have high mean scores with regard to inadequate income due to insufficient credit and wilful default by the borrowers. No statistical difference has been found in any of the variables considered regarding gap in recovery rate of loan.

**Deposits and Loans Targets**

- The response of the selected employees was sought as to the achievement of targets set by their respective banks. Majority of the respondents described that the targets set by their bank were achieved, while the remaining 21 per cent respondents had an adverse view in this regard.

- An attempt has been made to reach at the factors which are greatly helpful in achieving the deposit and loan targets set by the banks. The respondents from both public and private sector banks agreed that the encouraging response from the people was the main factor contributing towards achievement of this objective. The other important factors are involvement and initiative of the bank staff, simple procedure of advancing loans and encouraging response from government departments. The table further provides that the difference between all the factors except encouraging response from
government departments is insignificant. The difference was significant at 5% level only in one dimension, namely, encouraging response from government department. The respondents from both the public and private sector banks seem to have greater agreement upon the factor, viz. encouraging response from local people with the scores 4.34 and 4.24 respectively.

- Inadequate staff is found to be the major factor responsible for not achieving the objectives. Poor infrastructure facilities, lengthy procedure of advancing loans and lack of co-operation from government departments are the other factors showing a negative effect in the achievement of targets.

**OPINION REGARDING BANK PERFORMANCE**

- Majority of employees both from public and private sector bank believed that the performance of bank in terms of profitability and productivity was satisfactory.

**MEASURES TO IMPROVE PROFITABILITY**

- Most of the employees among public and private sector banks feel that technological up gradation should be there to improve the profit performance of banks. In case of public sector banks employees believe that existing product mix should be improved with cost cutting to enhance the profit performance. Public sector bank employees also oppose the policy of closure of loss making branches. In case of private sector banks cost cutting and increasing accountability, relocation of existing branches should be done to augment the profit performance of banks. Reduction in Government stake does not found to be an effective method in the opinion of bank employees. A large number of employees oppose the closure of loss making branches to improve the profit performance of concerned banks. Regarding the profit performance, statistical difference is found in two out of seven statements i.e. in case of closure of loss making branches and improving existing product mix.

**FACTORS AFFECTING PRODUCTIVITY OF BANKS**
• All the factors have equal importance among public and private sector bank employees. Firstly, the bank employee perceives that customer services provided by banks positively affect the productivity of banks. Second most important factor affecting productivity of banks are deposits followed by loans and advances. A group of employees believe that training of manpower is an important factor which has an impact on productivity of bank performance. Profits and branch expansion have little less impact on productivity of banks’ performance. Least impact on productivity of banks’ performance has been found by foreign exchange services provided by banks. Thus, on the basis of above analysis we can conclude that better customer services, loans and advances affect the profitability of banks in a large manner.

**STEPS TO BOOST EMPLOYEES PRODUCTIVITY**

• The research shows that among public sector bank employees, IT and computer related training as most effective tool to boost employee productivity at work place. Delegation of authority and perks and incentives to employees also play a vital role in encouraging employees. Friendly environment has been ranked at number four and then at fifth place employees’ job security has been placed. Employee management relation has been ranked at the sixth rank among the selected variables boosting employees’ productivity. Among private sector bank employees, delegation of authority is most effective tool to boost employee productivity at work place. Job security and IT and computer related training to employees also play a vital role in encouraging employees. Employee management relation has been ranked at number four and then at fifth place employees’ more perks and incentives have been placed. Friendly environment relation has been ranked at the sixth rank among the selected variables boosting employees’ productivity.

**JOB OPINION**

• Majority of the bank employees both from public and private sector banks found their jobs challenging, having growth potential and provide satisfaction to them.

**SUGGESTIONS FOR IMPROVEMENT**

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**Though every bank is making the best efforts to provide banking services, still there is a need to improvement. Most of employees in public sector banks feel that there should be simplification of rules to tackle the complex banking problems. In private sector banks, majority of employees feel that there should be greater trust in staff. Secondly, rules should be simplified, it means any complexity in banking should either be reduced or should be clarified.**

**DIFFICULTIES ENCOUNTERED BY BANK EMPLOYEES**

- An effort was made to understand the difficulties faced by the respondent employees while working in their respective banks. As far as the private sector banks are concerned, the employees complained that the work environment is not so good and they have to work even after the office hours. However, the problems faced by the employees of public sector banks are of different nature. A communication gap exists between the management and employees. Unhealthy competition from other banks causes stress among the employees. Political pressure sometimes makes it difficult for them to act according to the rules.

**8.3 SUGGESTIONS**

On the basis of observations made from secondary and primary sources, following are some of the suggestions:

- **Banks should concentrate on intensive mobilization of deposits, it can be done only through improved customer services and by implementing a various attractive deposit mobilization schemes.**

- **Mobilising deposits and providing advances are the most important activities of any bank. The profitability of the bank depends to a great extent on the effectiveness of its deposit mobilisation accompanied by aggressive credit deployment (source of income). It has been observed that private sector banks have been more aggressive in their credit deployment efforts. So, it is suggested that public sector banks should also adopt suitable marketing strategy successfully to improve upon their performance.**
• Every bank provides conventional services to its customers but now a day’s all banks are providing non conventional services as well. The non conventional services are the modern services provided by the banks like fee based services, foreign exchange transactions services etc. These services provide additional income to the banks. Private sector banks are providing these services to increase their income but still the major chunk of their income comes from traditional banking activities like interest earned on advances. Keeping in view the tough competition between the banks, selected banks are recommended to give more stress on providing non-conventional services to increase their profitability.

• There is a lot of competition among the commercial banks. In order to survive in the competitive environment the banks need to provide better customer services. Further, adoption of research oriented programmes and better marketing services can help these banks in having a better and loyal customer base. This can be done by providing innovative products and services to customers and pursuing customer relationship management in a better way.

• Independent and continuous research activity is an essential for improving performance of any business including banks. Every bank should have its own research wing which should regularly search for new products meeting customer expectations and should highlight the weaknesses in the various spheres of banking activity. This is useful to the bank and the industry as a whole. While having discussion with the employees, they have suggested that Loan sanctioning procedure is to be decentralized and steps involved in a process should be reduced.

• Public Sector Banks should bring operational efficiency and diversify their activities into non-traditional banking activities. They should concentrate on non-interest income avenues. Diversification based on niches and core competences are more likely to be successful. The strategy of offering the right kinds of product in the right market for products rather than providing everything everywhere is important to achieve a competitive advantage.
Financial analysis of banks, study of break even volumes of business and profitability analysis of the bank as a whole, region-wise as well as product-wise should be made thoroughly.

In order to attract more and more customers, Banks should become market savvy, but the cost of deposits and deployment plans should be kept in mind. In order to raise productivity and profitability, Banks should spell turnover strategies, income-oriented and cost-oriented strategies from time to time.

Better product mix should be provided. More products should be introduced. A check (Cost Benefit Analysis) of a product must be introduced before launching of a product.

Staffing and working patterns have to be reexamined from cost control point of view.

Better management information system, credit monitoring and cash management can result increase in productivity.

Committed staff especially in skill-oriented areas should be employed even by paying more, it will lead to higher productivity.

Better coordination with the unions may give productivity, if the unions take a positive in matters relating to transfer, placement and technology upgradation.

Public Sector Banks should be given autonomy to manage their affairs. They should be free to recruit and promote staff and decide the type of personnel to choose for their needs even by paying more pay packages.

Strong recovery measures should be adopted which will lead to more profitability of banks.

Expansion of number of branches in rural areas, good infrastructure, proper training to employees and more involvement of staff are the other various suggestions given by the employees.

**8.4 AREAS FOR FUTURE RESEARCH**

The following areas are suggested for future research:
• The present study examines productivity and profitability of public and private sector banks only. In future, researchers may study the productivity and profitability of foreign banks already operating in India.

• In future, researchers may have a better idea of productivity by taking into account various qualitative measures such as motivation of employees, customer satisfaction and image of the bank etc.

• In future, researchers may study the impact of recent developments on the performance of banking sector.

• Researchers may find out the major determinants, of banks’ productivity and profitability, in the context of changed business environment.