CHAPTER V

CONCLUSIONS AND POLICY RECOMMENDATIONS

5.1 Findings

The performance of commercial banks viz, State Bank of India and its associates, Public Sector Banks (PSB’s) and Private Sector Banks in Goa during 10th and 11th Five year plans (2002-03 to 2011-12) is introspected with regard to growth performance in the select financial parameters; deposit mobilization and deployment of advances (C/D ratios); annual credit plan for agriculture, industry and service sector and their achievements during 10th and 11th plans; plan-wise correlation between deposits and advances of SBI and its associates, public sector banks and private sector banks and testing of formulated hypothesis. Notwithstanding, in order to understand perception and attitude of bank customers towards the performance of different services of different banks, opinion survey of customers with the help of a questionnaire is carried out. The performance of commercial banks is studied plan-wise viz 10th Five year plan (2002-03 to 2006-07) and 11th Five year plan (2007-08 to 2011-12). The relevant financial parameters which speak about the performance of banks were analysed with the help of different statistical tools viz, Growth model, Correlation, Weighted Average Score method, ANOVA, descriptive statistics, Ratio analysis and simple averages, etc.
The analysis and discussion of the performance of commercial banks reveals broadly the following findings:

❖ **Business Growth Performance**

- The SBI and its associates showed a significant average annual growth in almost all the financial indicators viz. total deposits, total advances, total business and others except advances per branch and the growth of total population per bank branch during the 10th plan period. All the financial indicators except the growth of population per bank branch have registered a positive average annual growth even during 11th plan period. The results further indicated a lot of variation in the growth of different variables during the 11th plan period. The performance of banks in case of advances is poor due to lack of demand and unwillingness to borrow from the banks. The analysis further revealed that the performance of SBI and its associates in the select financial indicators is found better during the 10th five year plan as compared to the performance made during the 11th plan period.

The SBI and its associates have made a significant progress in all the variables except in case of deposits during both the plan period (2002-03 to 2011-12). In case of deposit generation, the growth is not significant as the P-value and $R^2$ explained a considerable variation in the performance during the whole study period. The better performance of SBI and its associates during the whole study period is because of long duration and as a result, banks are observed to have developed a resistance and sustainability to face challenges.
• The Public sector banks have achieved an impressive average annual growth in all the variables during the 10\textsuperscript{th} five-year plan and the PSBs are found to have performed better as compared to the performance of SBI and its associates for the corresponding period. The results have further showed that people have availed more credit from public sector banks as compared to SBI and its associates. The PSBs registered a negative growth in case of total business denoting no significant year-wise growth.

The performance of PSBs in almost all the financial indicators is found to be insignificant during the 11\textsuperscript{th} plan period. The performance of these banks in the deployment and utilization of funds is found too poor denoting fluctuating returns during the period. There is no stability and consistency in the performance of deposits and the results showed a lot of year-wise variation in the growth of variables. These banks registered negative annual growth in case of deployment of funds.

The plan-wise performance clearly indicated that the performance of PSBs was better and satisfactory during the 10\textsuperscript{th} plan as compared to the performance made by their banks during the 11\textsuperscript{th} five year plan. The possible reasons for this poor performance during the 11\textsuperscript{th} plan is because of increase in the number of credit providers, frequent change in the bank rates and stagnation in the growth of agriculture and slow down of economy as a whole during this period.
The performance of PSBs during 10th and 11th plan period is significant and satisfactory in all the indicators except in total deposits, total business and the growth of population per bank branch. In case of deposit mobilization, the annual average growth is observed to be highly insignificant and denoted year-wise differences in the growth of deposits and total business. The instability in the growth of total deposits might be because of domestic and non-resident external deposits and unexpected inflow and outflow of deposits.

- The performance of private banks in the select financial indicators during the 10th five year plan showeda insignificant growth of these variables. In case of total business and population per bank branch, the banks have made a negative growth. The overall analysis indicated instability in the performance of private banks. The performance during the 11th five year plan is not encouraging and the average annual growth rates are found to be insignificant. The plan-wise performance of these banks revealed no significant differences in the performance between 10th and 11th five year plan. During both the plans period, the progress of the banks found to be more or less the same. However, the performance of these banks in the areas of deposit mobilization, deposit per branch and per capita deposit is found to be little better during the 10th plan in comparison with the performance during the 11th plan.

The overall performance of private banks is not satisfactory during both the plan periods. The plan-wise poor performance of these banks could be because of late entry of these banks in the banking sector, lack of economic activities in the state of Goa and absence of encouraging demand for credit.
Further, it is interested to note that the private banks were observed to have made a significant progress in all the parameters during the study period except in case of advances per branch and per-capita advances.

- The overall valuation of the performance of commercial banks during the study period revealed differences in the performance of financial indicators between 10th and 11th plan periods. The growth of population per bank branch is observed to be negative across all the sectors of the bank. It is also observed that there was a lot of variation in the growth of different variables during the study period. The deployment of credit did not show upward trend as there was a low demand for credit in the state of Goa. All the banks have been experiencing this particular problem over a period of time.

❖ Performance in Deposit Mobilization and Deployment of Funds

- State Bank of India and its associates, PSBs and private banks have registered credit to deposit ratio, on an average 24.03%, 24.83% and 19.56 percent respectively during the 10th five year plan. The year-wise computed ratios also revealed a variation in the percentage of credit in relation to their deposits. During the 11th plan, these banks have achieved on an average 34.83%, 25.86% and 27.94% respectively. Further, they have achieved 29.43%, 25.35% and 23.75% respectively during the whole study period.

- The overall analysis of commercial banks’ performance in the area of credit to deposit is observed to be very poor and ratios clearly indicated 70% of SBI and its associates, 75% of PSBs and 76% of private sector banks’ deposits are
idle with the respective category of banks without generating any income for the banks. The performance of these banks in the area of credit to deposit ratios (between 23.75 to 29.43%) is observed to be extremely poor as compared to the C/D ratios of banks at national level (i.e. 75 to 80%).

- It is further interested to note that the banks have achieved the highest per capita deposits and the lowest per-capita advances in Goa as compared to the per capita deposits and advances of banks at national level. This has affected the overall performance of the banks.

- **Annual Credit Plan for Agriculture and Actual Achievements.**

  - All the commercial banks are found to have provided two types of loans viz crop loan and term loans to farmers. The SBI and its associates have performed better in providing crop loans as compared to the performance in term loans during the 10th plan period. A similar trend is observed during the 11th plan period.

  - The public sector banks have performed better in case of term loans as compared to the crop loans and the same trend is observed during the 11th plan period. In case of private banks, they have also done better in term loans as compared to crop loans during the 10th plan and the same is observed during the 11th period.

  - The study further indicated that the annual credit plans of all the three category banks are found to have been revised frequently during both plan periods because of lot of fluctuations in the credit requirements of the farmers.
and therefore, in some years, all the banks have exceeded their credit plans. The analysis further conveyed that the growth of agriculture is not stable. In spite of that, all the commercial banks are found to have registered good growth in their achievements of planned agriculture credit.

◆ **Annual credit plan for Industry and Actual Achievements.**

- The performance of SBI and its associates is found to be more than the annual commitments and vice versa during the 10th plan period and it was highly fluctuating during 11th plan period. During the years 2009-10 and 2010-11, the disbursement of credit to industry is found to be too negligible.

- The public sector banks are noticed to have registered a similar in their performance. During some years, they have achieved more than the commitments and during some years performance was just satisfactory.

- During 2006-07 and 2011-12, these banks achievements are too negligible i.e. just 14% of their commitments. In case of private banks, they are found to have achieved more than their commitments in most of the years. The plan-wise analysis revealed that during 10th plan period, the performance of SBI and its associates and PSBs is found to be better as compared to their performance during 11th plan period. While in case of private banks, performance is better during the 11th plan as compared to the performance during the 10th plan period.
• The overall performance analysis of commercial banks showed that the performance in their commitments and actual achievements is not satisfactory and observed a lot of inconsistency during the study period.

• The fluctuating performance in providing credit to industry could be due to loan sanctioned in one particular year and not disbursed and the same would be disbursed in the subsequent years. Another reason might be because of a sudden rise in the demand for credit in one particular year.

❖ **Annual Credit Plan for Service Sector and Actual Achievement.**

• The actual disbursement of loans in relation to annual commitments of all the three category of banks is found to be satisfactory, while in the year 2006-07, the performance of all the banks is found to be negligible and poor as banks disbursed just between 8 to 24% of their annual commitments.

• During the 11th five year plan, a similar observation is made in the performance of all the banks and the actual disbursement of credit is found to be more than their respective commitments.

• Plan-wise analysis revealed no significant difference in the performance of all the banks. Lot of ups and downs in the annual commitments as well as in the annual achievements is case of all the banks was observed during the study period.

• It was further observed that in most of the years, all the banks exceeded their commitments which indicate major portion of their annual commitments were
disbursed during the subsequent years. This further speaks that no planned and consistent growth of service sector.

❖ Performance of Commercial Banks in Priority Sector Lending.

- The SBI and its associates and PSBs are found to have achieved on an average 38.07% and 37.29% lending to priority sectors of their total advances respectively during 10th plan-period. These banks have almost achieved close to 40% of their total advances.

- The private sector banks were observed to have provided only 20.86% of their total advances to priority sectors during 10th plan period. A similar observation is made during the 11th plan period in case of all the three category of banks.

- Hardly any significant difference is observed in the performance of commercial banks in the area of priority sector lending between 10th and 11th plan period.

- The performance of SBI and its associates and PSBs in priority sector lending is observed better as compared to the performance of private banks.

❖ Performance-Based Ranking of Commercial Banks.

- The performance of commercial banks viz SBI and its associates, PSBs and private sector banks in the areas of C/D ratios, advances to agriculture, industry and to service sector and lending to priority sector is examined during the study period. Based on the banks performance in the respective parameters, each category of banks is ranked and accordingly the PSBs are
ranked as First Rank in the overall performance followed by private banks ranked as second rank and SBI and its associates ranked as Third Rank in the overall performance.

**Correlation between Deposits and Advances of Commercial Banks.**

- Plan-wise computed mean values of deposit of SBI and its associates revealed significant differences in the total deposits between 10th and 11th plan period. The calculated values of standard deviation of deposits of both the plan period showed a wider distance from the mean values indicating higher degree of deviation from the mean values which confirmed rise in the size of deposits. The computed mean values of advances disclosed a sizable variation in the total advances between 10th and 11th plan period and this variation is observed more in case of advances as compared to deposits. The computed S.D values are observed to have deviated to a larger extent from the mean values denoting a wider variation in the data of advances during the study period.

  The calculated correlation coefficient values between deposits and advances during 10th and 11th plan are found to be significant and showed a positive correlation between deposits and advances. Further, the analysis revealed correlation between two variables is observed to be highly significant during the study period.

- Plan-wise computed mean values of deposits of public sector banks showed a significant differences between 10th and 11th plan. The S.D values are observed to have deviated largely from the mean values. A similar observation
is made in the mean values of total advances between two plan periods. The calculated correlation coefficient values between deposits and advances during both the plan periods as well as during the study period are found to be significant and observed a positive correlation. Further, the analysis indicated that the correlation between deposits and advances is found to be highly significant during 10th plan period and during the study period.

- The calculated mean values of deposits of private banks did not show any significant variation in the growth of deposits between two plan periods which indicates a meager growth of deposits of private banks during the study period. The S.D. value for the 10th plan is found to be extremely deviated from the mean values denoting a lot of variation in the data of deposits. In case of advances, the private banks exhibited highly significant differences between plan periods. The computed correlation coefficient values between deposits and advances are found to be positively correlated but, correlation is not found to be so significant except during the 10th plan period.

❖ **Test of Hypothesis**

- With regard to the formulated first null hypothesis’ robust test of equality revealed a significant difference among the means of samples as p-values are <0.05 in case of deposits and advances. Anova test showed that the calculated P-values in case of deposits and advances are found to be less than 0.05 and therefore, the formulated null hypothesis is rejected and an alternative hypothesis i.e. there is a significant difference in the growth of deposits and advances across SBI and its associates, PSBs and private banks is accepted. Further, in order to know particular difference among the different category of
banks. Tukey HSD test is conducted and results showed that there is a significant difference between SBI and its associates and PSBs and between PSBs and private banks is observed in case of both deposits and advances.

• In respect to second hypothesis, test of homogeneity of variance did not meet the assumption and robust test of equality of means showed a significant variation among the means of samples. The analysis of variance (anova) showed the calculated P-values less than 0.05 and therefore, the second null hypothesis is rejected and an alternative hypothesis i.e. “there is a significant difference in the annual commitments of advances and actual achievements of advances across the SBI and its associates, PSBs and private banks” is accepted. The Tukey HSD test disclosed that there is a significant difference between SBI and its associates and PSBs and between PSBs and private banks is observed in case of annual commitments as well as in case of actual achievements as P-values are <0.05.

• In case of third hypothesis, the homogeneity test of variances did not meet the assumption and robust test of equality of means revealed a significant differences among the sample means. The analysis of variances (anova) revealed that the computed P-values and <0.05 and thus, the null hypothesis is rejected and an alternative hypothesis i.e. “there is a significant difference in the advances to agriculture, industry and service sector across the different category of banks” is accepted. Tukey HSD test showed a significant difference between SBI and its associates and PSBs and PSBs and private
banks is observed in case of advances to agriculture, industry and service sector.

• Pertaining to fourth hypothesis, the robust test of equality of means showed significant differences between the sample groups. The analysis of variances (anova) revealed the calculated P-values less than 0.05 and the null hypothesis is rejected and an alternative hypothesis i.e. “there is a significant differences in the priority sector lending targets and in actual and in actual priority sector lending across the different category of banks” is accepted. Tukey HSD test revealed a significant difference between SBI and its associates and PSBs and PSBs and private banks with respect to priority lending targets and actual priority sector lending.

❖ Perception and Attitude of Customers towards the Performance of Public Sector Banks.

• Out of the total 180 customer respondents, 53.30% are male and 46.70% are female which showed almost an equal participation of women in the transactions of banking. The level of education of customers showed a better profile as more than 41% of the respondents are graduates and 11% are post-graduates. Further, indicated a significant improvement in the level of education. The age composition of customers showed that majority of the customers fall in the age group between 26 to 45 years (i.e. 67.20%) and indicated more presence of youngsters in availing banking services.
• The occupation pattern analysis of the bank customers showed that majority of the customers i.e. 52.80% are in private service and 8.9% of the customers are observed to be no service and no business. The overall occupation pattern is observed to be good and encouraging. The income level analysis showed that almost 40% of the customers are found to be in the income bracket of Rs. 15000 to Rs.20000 per month. Majority of the customers are found to be in the lower income groups. It was observed during the survey that many customers were found to be unwilling to disclose the real income and this perhaps could be the reason to witness majority of the customers under the lower income groups. The marital status of the customers shows that nearly 70% of the customers were unmarried and these customers perhaps the most potential customers for the banks. The family system of the customers indicated majority are found to be in nuclear family system.

• In order to understand the perception and attitude in response to quality of services of public sector banks including state bank of India, 12 performance indicators are studied with the help of descriptive statistics. The analysis of these variables revealed that in case of 9 variables, the value of mode is observed to 3 and in case of 3 variables; the value of mode is 4. This showed that majority of the customers opinion towards the services is found okay which is between “very poor and very good”. The calculated mean scores of all the performance indicators were ranged between 3.50 to 3.36 expressing customers attitude between ‘okay’ and ‘good’. The calculated values of S.D are observed to be between 0.80 to 0.99 and these values are found to be more close to mean scores. The study further indicated that there is no significant
variation in the perception and attitude across the customer respondents in case of all the variables. It also shows that the perception and attitude of customers more or less remained the same. Based on the mean scores, the ranks are assigned to each variable. The indicators viz location of the bank branch, quality of employees communication and cleanliness of the bank branch, are assigned 1\textsuperscript{st}, 2\textsuperscript{nd} and 3\textsuperscript{rd} rank respectively and in case of three variables, the customers have shown a better perception and attitude.

The overall analysis conveyed that the understanding and approach of the customers towards the services of the banks is not encouraging and no significant impression is observed about the services of the banks.

- The other parameters like acceptance of mistake, honesty of bank employee, follow-up with borrowers presence of ethical values, employees concern and others were studied. The calculated values of mode are observed 3 and 4. This showed that the customers understanding and impression about the provider of banking services is found to be between ‘okay’ and ‘good’. The computed mean values of all the variables are found to be between 3 to 4. The values of S.D of all the variables are observed 0.80 to 1.70 and showed a higher degree of uniformity in the observations. It indicated that the customers are found to have had a similar opinion with regard to almost all the variables. It further showed a slight variation in the perception and attitude across the customer respondents. Based on the mean score of each variable, a rank is assigned and accordingly, confidentiality level of bank employee, information about new schemes and services and banks online and its connectivity are assigned as
First, Second and Third rank respectively. The overall analysis of all these variables showed that the customers hardly found any significant differences in the different attributes of bank services.

- Certain determinants of bank performance viz. formalities of account opening, procedure of loan sanctioning and disbursement, cost of loan, utility services, alert services and others are studied. The values of mode in all the variables are found to be 3, showing a neutral response of customer towards these services. It is observed that the customer neither “agreed nor disagreed” and they remained neutral in their opinion. In case of certain variables viz, account opening formalities, utility payment services and customer of this bank, the customers have agreed that procedures are simple, efficient and remained as customer of this bank. The calculated mean values of all the variables are found to be between 3 to 4 which conveyed the impression of the customers about the bank services is almost from “neutral to agree”. The calculated values of S.D are found to be 0.73 to 1.14 and no significant difference was observed in the perception and attitude of customers across the different variables. Further, in case of each variable, a marginal variation is noticed across the individual customers. Based on the mean values, each variable is assigned a rank and ‘a customer of this bank remains as a customer in future too’, ‘utility payment services are efficient and customer friendly and request services are quick and satisfactory, are assigned as First, Second and Third Rank respectively. The overall analysis showed a neutral approach of the customer to almost all the service indicators.
With regard to the identified five important service parameters, the customers are asked to choose and recognize them from a first preference to last preference based on their experiences and weighted averages score method is employed to analyse responses of the customers. Based on the weighted average score, the overall ranks are assigned. The overall ranking of select variables revealed that among the five identified service variables, quick and timely service of the banks is found to have chosen as ‘First’ indicating first impression of the customers about this service and branch location and accessibility is found to have preferred as ‘Second Rank and procedural formalities and paperless work is found to have chosen as the ‘Third Rank’, followed by employees approach and concern for customers as Fourth and internet and online service as the ‘Fifth’. The customers are found to have quick and timely service preferred as the best one and internet and online service as the least preferred one.

**Perception and Attitude of Customers towards the Performance of Private Banks.**

- Out of the total 70 customers, 70% of them are male and 30% are female indicating a larger participation of male customers. The level of education of customers showed more than 65% graduates and post-graduates. The overall education level of customers is found to be really good. The age composition of customers disclosed that more than 56% of the customers are found to be in the age group of 25 to 45 years and 37% of the total customers are found to be below 25 years of age. This clearly indicated more and more youth
participation in availing the banking services. The overall analysis revealed an impressive level of education.

- The occupation pattern of the customers conveyed that majority of the customers are found to be in private service, followed by businessmen and Govt.service and tells that majority are in-service. More than 58% of the customers are found to have been in the monthly income range of Rs. 15000 to 30000. Hardly any customers are found in the income of more than Rs. 40,000. The marital status of the customers showed more unmarried customers. The family system indicated that the total customers are divided between joint and nuclear families.

- The mode values of a 9 variables viz, security and safety, cleanliness, employees response to customers inquiry and others, are observed to be 4 and showed the customers perception is good and in case of three variables, mode values are 3 and showed attitude of customers ‘okay’ towards the services of the banks. The mean values of all the variables are observed to be between 3 to 4 and indicated customers impression and understanding of different services between ‘okay and good’. The values of S.D of all the variables are observed to be less than 1 except the variable security and safety. This showed no significant variation in the perception and attitude of the customers about the services across the different variables. Based on the mean scores, of all the variables, security and safety of availing bank services is ranked as ‘First’, followed by ‘quality of employees communication is ranked as ‘Second’ and quality of information is ranked as ‘Third’. This clearly tells that customers
are observed to have a very good impression about the security and safety service. The overall analysis showed a better impression of customers with regard to private banks.

- With regard to some more indicators like honesty of bank employees, rapport with borrowers, presence of ethical values, employees confidentiality, internet connectivity, information about new schemes and services, the mode values of all the variables, are found to be 4 and indicated customers impression as ‘good’ and the customers are observed to be happy with the type of quality of services. The mean values are found to be between 3 to 4 in almost all the variables and the customers level of satisfaction is between ‘okay and good’. The S.D values in all the variables were observed to be closer to the mean values and variation in the customers perception is noticed to be insignificant. Based on the mean scores of each variable, a rank is assigned and the preference of ethical value is ranked as ‘First’, honesty of bank employee is ranked as ‘Second’ and employees ability of convincing customers is ranked as ‘Third’.

- The customers opinions are obtained with regard to account opening formalities, loan sanctioning and disbursement, cash credit and bank over draft facility, cost of loan and other charges, utility payment services and other indicators. The mode values of different indicators showed that the customers agreed to most of the services and remained neutral in case of some indicators. It further indicates that all the customers are noticed to be either ‘Neutral or Agree’. with regard to different indicators. The values of standard deviation are found to be less than 1 and showed closeness to the average mean values. The analysis further indicated that there is no significant variation in the
perception and attitude of the customers across the different variables. Based on the mean score of each variable, customer of this bank remains as a customer of this in future too, is ranked as ‘First’. The variable alert services are ranked as ‘Second’ and the bank employees approach and attitude towards the borrower is ranked as ‘Third’.

- The opinion of the customers in response to five important variables closely associated with the performance of private sector banks, are obtained. The responses of the customers are obtained in order to preferences from first to fifth preferences for each variable. Based on the total score of each variable, a ranking is assigned. The overall preferential choice of the customers showed that of the total five variables, the customers are observed to be more happy and satisfied with the quick and timely services of the banks and ranked as ‘First’, the hurdle free and more paperless banking services is ranked as ‘Second’, internet and online services is ranked as ‘Third’, the employees approach and concern for customers is ranked as ‘Fourth’ and the branch location and accessibility is ranked by the customers as ‘Fifth’.

- **Perception and Attitude of Customers towards the Performance of Co-operative Banks.**
- Out of the sixty customer respondents of Urban Co-operative bank, 65% of them are male and 35% are female. Education level is satisfactory as 80% of the customers are Higher Secondary School pass and Graduates. Majority of them are elderly customers bank with urban Co-operative banks. Majority of the customer are found to be in private sector. Majority of the customers are middle income group and more than are in middle income group and more than 66% of customers are married
- The calculated value of Mode of customers respondents with regard to different performance indicators like security and safety, cleanliness, advice of the bank employees and other are found to be 4 and 3 denoting ‘Good’ and ‘Okay’. Image and attitude of customers towards the different services. Further, the customer attitude is found to be much better in case of location of the branch, working discipline, and shouldering responsibility. The computed S.D. values of variables like quality of employee communication, guidance to customer for loan utilisation, etc, showed no significant variation in the perception and attitude of the customer across different variables. However, a marginal differences was notice in case of each variable across individual customers. Based on the Mean value, each variable is assigned a rank and accordingly knowledge and ability of bank employees is ranked as first, followed by working discipline as second and bank response to customers as third.

- The calculated values of Mode of different service indicators viz. acceptance of mistake by bank employees, repo and follow up with burrower and others are found to be 3 and 4 denoting ‘Okay’ and ‘Good’ attitude of customers towards the different attributes of banking services. The customer impression about the quality of services with regard to the ethical values honesty of employees and level of confidentiality is found to be more better. The values of S.D. reveals no significant variation in the perception and attitude among different variables based on the Means scores of each variable rank is assigned and accordingly honesty of the bank employees, is given as first rank, acceptance of mistakes by the bank employees as second rank and information about new schemes and services as third rank.
The responses of customers to different modes of providing banking services like account opening formalities, cost of loan, alert services, employee approach, etc., showed neutral and customers neither agreed nor disagreed which indicates the customers' unhappiness. It further conveys that there is no significant difference in the perception and attitude of customers across different variables. Based on the mean values of each variable, rank is assigned and accordingly, cost of loan and other charges are economical is assigned first rank followed by cash credit and bank overdraft as second rank and remains as customers in future too as third rank.

The five most significant variables are identified and have sought customers' responses in the preferential orders between first to fifth. The responses of customer are assigned weights in the order of five to one and accordingly, the total score of five preferences of each variable is arrived. Based on the weighted average score a rank in the order of first to fifth is assigned. Accordingly, quick and timely services is preferred as a better service among five services followed by procedural formalities and paperless work, internet and online service, employee approach towards customers and branch location and customers' accessibility. The analysis reveals that the customers are impressed by quick and timely services of the banks.

Perception of Bank Officials with regard to the performance of Commercial Banks.

The opinion and perception of bank officials with regard to compliance with RBI guidelines, growth and expansion of banks operations, cut throat competition, achieving set targets, providing advances to priority sector...
lending cost of deposits, etc. are obtained. The mode values in case of all most all the variables are found to be 5, which clearly showed ‘very good’ impression of bank officials regarding the overall performance of the banks in Goa. Further, the mean values of all the variables are found to be 4 to 5. This further strengthened and supported the bank officials impression is ‘very good’. The S.D values are found to be less than one which tells no significant variation in the perception of bank officials across the different variables as well as in case of each variable across all the individual bank officials.

Based on the mean score of each variable, a rank is assigned and therefore, complying with RBI policies and guidelines is found to have been ranked as the ‘First’ followed by the variable the overall performance of the banks as the ‘Second’ and growth and expansion of bank operations as the Third rank. The overall analysis of the responses of the bank officials indicated ‘very good’ opinion of bank officials with regard to the performance of the banks in Goa.

### 5.2. Policy Recommendations

Based on the findings of the study, the following policy recommendations are made:

- The average annual credit to deposit ratios of SBI and its associates, public sector banks and private banks are found to be 29.43%, 25.35% and 23.75% respectively. This clearly conveyed 70 to 75% of all the commercial banks in the state of Goa used to remain idle with the banks. This certainly affects the spread ratio of these banks. One of the prime objectives of the banks to utilize the mobilized funds at optimum level. Hence, the commercial banks essentially need
to devise appropriate strategies to channelize this idle funds to different economic activities. In the state, activities of agriculture, floriculture, horticulture, dairy, poultry, utility services, small and medium industrial activities, tourism related activities have indeed a very good potentiality. With some collaborative efforts with other apex bodies, like SHGs, Directorate of Agriculture, Govt. of Goa, Goa Tourism Development Corporation (GTDC), Department of Tourism, Govt. of Goa, Industrial Development Corporation, Directorate of Industries and Mines and other bodies, potential entrepreneurs can be motivated, trained and provided necessary credit through banks. The commercial banks need to move beyond mobilizing and disbursement of credit. This would certainly accelerate the economic growth of the state of Goa.

- The commercial banks in the state prepare every year annual credit plan / annual credit commitments and the Lead Bank i.e. State Bank of India co-ordinates the same. The annual credit plans are prepared for all the three important sectors viz, agriculture, industry, service sector and be leading to priority sector. The analysis of Annual credit plan and actual achievements revealed very poor performance during the study period. In some years, the actual performance was observed to be extremely more than the annual commitments and in some years, very negligible actual performance was observed as compared to the annual commitments of the banks. In this context, the banks need to make concerted efforts to assess the real credit requirements and accordingly, need to put efforts to achieve effectively planned targets. This will ensure stability in the performance of commercial banks.
• The calculated mean values and standard deviation showed a lot of variation in the advances of all the banks between 10th and 11th plan periods. This also affected the healthy growth of total business. This is because of variation in the demand for credit. In order to ensure stability and healthy growth, banks need to plan their advances properly and make efforts to enhance their advances to different economic activities.

• The analysis of lending to priority economic activities of all the banks is found not encouraging. The State Bank of India and its associates and private sector banks need to promote priority economic activities like encouraging women to take up economic occupations, encouraging weaker sections to participate in economic activities, promotion of agriculture and allied activities and promoting micro and small industries. Unless and until, the activities of these sectors are picked up, the banks would not be able to achieve the priority sector lending. Therefore, the banks need to initiate and collaborate with other organizations and apex bodies to motivate these activities and thereby bank credit can be extended to these activities.

• The computed coefficients of different performance indicators did not show a healthy growth and showed a lot of fluctuating growth trend during the study period. The total advances, advances per branch and advances per-capita of all the banks viz SBI and its associates, PSBs and private sector banks registered a negative growth during the study period. This clearly indicated that the second important objective of deployment of mobilized funds is not fully achieved. Thus, the banks in Goa need to focus more on enhancing size and healthy growth of advances, so as to achieve stability in the performance of the banks.
• The primary survey of bank customer respondents with regard to their attitude and satisfaction pertaining to quality of bank service was carried out. The responses of customers are gathered with regard to some closely associated performance indicators. The customer response survey in respect of certain parameters viz, advise of bank employees to customers; guidance to loan utilization; inquiry about utility of sanctioned loans; rapport and follow-up with the borrowers; rectification of errors; online response and connectivity; account opening formalities; cost of loan and other charges; utility payment service; ethical values, etc, is not satisfactory and majority of the customers remained neutral and some time, they expressed okay. On the other hand, the progress and healthy growth of banks, customers satisfaction and good impression about the different services also plays equally important role in enhancing the progress of the banks. Hence, the banks need to relook their present CRM strategies and the quality and accessibility of present services of different banks and accordingly, revise and redefine them to meet customers changing expectations of different services.

• The important financial information and relevant statistics like non-resident external deposits; number of no frill accounts; number of loan accounts; data pertaining to non-performing assets; number of employees; amount of profit; interest earned and interest paid are not available in the yearly published Lead Bank Reports of banks in Goa. This information is really useful to researchers, customers, analysts; banks, research organizations, investors, Govt. and so on. Hence, the Lead Bank is requested to make available these information in their Lead Bank annual reports.

• In order to increase credit to agriculture, the commercial banks need to make little more efforts beyond accepting deposits and providing advances, lack of interest
and unwillingness to take up agriculture related occupations due to several reasons and therefore, if the commercial banks do some innovative efforts to motivate the farmers and to enhance the image and dignity of agricultural occupations.

- Promotion of entrepreneurs and entrepreneurship development assumes highly significant in the state of Goa. In this direction, the commercial banks can make efforts to setup entrepreneurs training centers in association with apex bodies like Entrepreneurship Development Institute of India, Ahmadabad, Gujarat and others so as to create an awareness and opportunities to become an entrepreneur and to provide employment to others. With this innovative efforts, the banks in the state can very well extend credit to new entrepreneurs. This efforts would certainly benefit the banks to channelize their surplus funds on the one hand and achieve higher economic growth for the state on the other.

- There are no efficient and healthy markets and market infrastructure connecting to national as well as international networks of marketing for agricultural produces as well as for industrial products. As a consequences, entrepreneurial activities are not picking up in the state and this situation has really restricted the flow of bank credit. Therefore, even in this direction, if the banks make a little efforts and this effort would obviously boost bank credit flow to economic activities in the state of Goa.

**Conclusion**

The performance analysis of commercial banks assumes grater importance in providing a factual status and thereby enables the management of banks to devise necessary viable solution to improve the performance of the banks. In this context, the performance of commercial banks viz, SBI and its associates, public sector banks and private banks in the state of Goa is examined with regard to growth performance of
business, performance in the area of deposits in relation to advances, annual credit commitment of banks to agriculture, industry and service sector and their actual performance, the total advances and its percentage to priority sector. This analysis is carried out with the help of log linear growth rate model, co-relation analysis, ANOVA, weighted average method and descriptive statistics besides the customers of the banks is studied with regard to their perception, attitude and satisfaction towards the banks services. The formulated hypotheses are tested with the help of ANOVA statistical tool. Based on the overall performance of the banks, bank category wise ranks are assigned and based on their responses of the customers the qualitative performance indicators are ranked. The overall performance analysis of commercial banks in the state Goa, has thrown light on the actual status of the performance of banks and accordingly, the banks can initiate necessary measures to ensure a stable and better performance in the different operations of the banks.