CHAPTER II
LITERATURE REVIEW
A number of studies have observed that the profitability of commercial banks through had started declining from the mid sixties, but the decline was more pronounce in the post nationalization period, several exogenous (also called policy induced) and endogenous factors have been found responsible for this trend. An attempt has been made to briefly review some of the studies which investigated the profitability behavior of commercial banks in India.

Many studies have not taken in the home loan of Indian banking with their financial performance. So in this situation the present study reviewed the research work in two dimensions. The first being findings and recommendations by various committee and commissions. The second dimension highlighted the empirical studies conducted by bankers or academicians.

Goyal and Joshi (2011) have concluded in their study on Social and Ethical Aspects of Banking Industry that banks can project themselves as a social and ethical oriented organization by simply disbursing loans to those social, ethical and environmental concern organizations.
Kumar & Gulati (2010) examines the significance of the ownership on the Indian domestic banks effectiveness. Data Envelopment Analysis (DEA), which is a non-parametric, deterministic and linear programming based technique, was used to compute public and private sector banks efficiency score. The operational cross-sectional data of the public and private sector banks during the financial years 2005-06 and 2006-07 was used and it was found that (1) De nova private sector banks dominate the formation of efficient frontier of Indian domestic banking industry; (2) Primarily, the whole technical inefficiency halts from managerial incompetence instead of scale inefficiency; and (3) Though the public and private sector banks’ efficiency differences have been noted, in most of the cases these differences are statistically irrelevant. By and large, it is concluded that industry ownership is ineffective in the Indian domestic banking industry.

Subbaiah & Jeyakumar (2009), customer service is a series of activities planned to increase customer’s satisfaction level that a product or service has met the customer outlook. The bank strongly believes the customers service will be the most important factor in maintaining and improving the leadership in India’s Banking Industry. ATMs are important in the customer service so as to enhance market share and business growth.

Koutsomanol (2009), analyzed Central and Eastern Europe’s banking sector efficiency and productivity growth during the period 1998-2003.
Mahesh & Meenakshi (2009) conducted study to examine the impact of post-1992 financial sector reforms in the productive efficiency of Indian commercial banks. Bank detailed deposit were estimated using stochastic frontier technique and advance efficiencies for the period 1985-2004. Results explained that all three efficiency measures were influenced by deregulation. Deposit and investment efficiencies have improved as compared to advance efficiency, which declined marginally. As differ to the general opinion, ranking first in all the three efficiency measures, public sector banks are much ahead than the private sector banks. However, during the post liberalization period, private sector banks have improved in all three types of efficiency measures.

Naveen K. Shetty and Dr. Veerashekharappa (2009) studies the importance of microfinance in bringing about financial inclusion. The paper studies impact of the increasing gap in demand and supply of financial services in India which has led to the increasing population of the country to be excluded from the formal financial credit system on housing loan.

David (2008) observed in his study that comparing to private mortgage insurance (PMI), there has been an increase in submissions of home loans between 2001 and 2008. His research is divided into four parts. Part 1 explains the grounds why more people prefer for home loans as compared to PMI. As many people don’t have the capacity to arrange 20% as down payment, the home loans market now provide them with the loans. Part 2 notifies the reasons accountable for the development of home loans and,
without any PMI coverage, the risks involved on moving towards home equity market. Up to 80% of LTV can be protected by PMI, thereby protecting lenders from major losses. Part 3 explains the processes involved in type of loans. Data from the 2001 and 2007 AHS, a joint project by HUD and Census, was collected for the purpose. A sudden improvement in the frequency of owner-occupied properties with multiple mortgages among properties with newly created primary mortgages was revealed. Part 4 describes the financial status of single-lien and multiple-lien households and for which a survey of consumer finance was done which proved that multiple loans are financially weaker as compared to the single loans.

**Farooqui (2008)** branchless banking represents new distribution channel that allows financial institutions and other commercial factors to offer financial service outside traditional bank premises. Addition is the vital strength of branchless banking. Branchless banking targets at putting the national resources for production and directs financial resources to areas where they are most needed. In line with this spirit, the financial institutions plan and act for long term development and prosperity of their agents. This require close association with agents, give them opportunities to learn more, to become more efficient and a fair price mechanism for the service provided by the agents of the branchless banking.

**Kerry D (2008)** analyzed, during the period 1998-2008, there was a sharp rise and then there was an unexpected drop in the home prices. Economic
fundamentals were the main reasons for these changes in home prices. As such the problem was not because of sub prime lending, but dramatic reductions in the Fed, afterward during the early mid-2000 there was an increases in the rates of interest, the growth of housing was focused in the markets where there were significant supply-side restrictions, that apt to be more price-volatile. Also the problems lied because of increase and decrease of certain mortgage products, rather than credit shortage.

Micheal (2007) I analyzed in his study that during 2005 over 2004 a few factors affected the increase in level of Annual percentages rates (APR). It also effect on all types of loan and major impact on factor which related to credit risk with yield curve. By all this there is no effect on increase in volume for loans as it is directly controlled by lenders during 2006. On other hand its impact came on indirect wholesale originations and by these its volume increase. so we can say that a model years2005-2006is a factor affecting result study, by these study we can assume about September 2009 and result or by calculation help increase in the percentage of loans.

Farooqui (2007) Banking Services are most important tools of the economic machinery of an economy. They lubricate the wheel of the economic development. Banking Services are the services, which facilitate financial transactions of the individuals and institutional investors resulting in their resources allocation activities through time. In this stiff competition, banks
have to provide expansive service packages. In terms of quality of service, they have to vie with their counterparts to ensure their upper hand in future.

**Sendhilvelan & Karthikeyan (2007)** RBI has stated that the movement towards universal banking should have faster stability and efficiency of the financial system, but by itself it can not provide a practical or sustainable solution to the operational problems of individual institutions arising from loan capitalization, high level of NPAs large assets liabilities mismatch, liquidity etc. However in a market driven economy to face the competition one factor is the size and hence, the entry of Universal banks is unavoidable for the overall economic development of our country. There is no doubt that gradually we are shifting towards the management of a few large banks from the management of many small banks. This example is achieved with the concept of universal banking which certainly strengthen the banking sector.

**Reddy. (2007)** the banks must try to increase productivity through development of men, material and resources. In order to improve profitability it is advisable for every bank, to diversify its operations and focus on innovative products such as, merchant banking, leasing factoring, insurance credit cards, etc. Further, it is suggested that public sector banks should reduce the percentage of their non-performing assets to improve profitability. Assets liability management, risk management, manpower planning, diversification, adoption of information technology are the key areas which should be concentrate to improve productivity and profitability in public sectors.
Subbarao (2007) He concluded that the Indian banking system has overcome from its poor performance and ready to face international banking market. It come over with help of new treasury management, professionally qualified human resources new technologies system, global marketing system, highly or safely internal an external control, comparison on different loan and interest market, control on risk and credit appraisal, latest style product for customer satisfaction. All these changes helped Indian banking system perform very well in domestic and international levels to achieve the heights. In the international market, Indian banking was ready to face global challenges. Research mainly focuses on international banking and their major trends. These trends are product diversification, professionally qualified human resources, mergers and acquisitions, new technology, major focus on risk management and rural banking management. Under Basel I and II, the banks will have to work on prudential capital adequacy norms, the free trade agreements.

Jain (2007) described that seller should be familiar that every country has a marketing environment. The international seller needs to study the prevailing trends in the market at the time of the global business transactions with a good plans and intentions, as the international seller is bound on every marketing environment which differs nation to nation and from place to place as well of the same country state.
Niranjan & Meenakshi (2007) The study analyzed reforms in the banking sector of India and the promptness of Indian banks to minimize the reasons for awful loans by adopting capital adequacy norms based on the Basel Capital Accord. This paper addresses this question by investigating that to enhance their earnings and capital adequacy ratios, does Indian banks provide for loan loss requirements and minimize their gross non-performing assets? Behaviour of Indian banks is also studied the strict regulatory standards that came into effect after 1999. It was also made clear that in the post 1999 period, Indian banks with low profits and low capital concealed the extent of their gross nonperforming assets. To conclude the paper stated that the exact nature of India’s bad loan problem can be much severe as mentioned in recent studies.

Dwivedi, R. (2007) explained that finance functions are important but not as important as the marketing functions. Friction between the marketing and finance functions would be detrimental to the smooth development and functioning of any business organization. Finance objectives like value maximization to shareholders are integral parts of any new strategy adopted by the organization. But this objective seems to have been lost amidst the flurry of marketing activities focusing on market share. Conscious efforts must be taken to avoid the missing core objective and for sales growth.

Micheal (2006) LMI households is always effected by home purchase mortgage product. Purpose of this report is to unearth the aspects that help to
determine factors in different income groups. All income group needs are different then other but they get particular product. But all this also comes under pricing and substitute. As we know, all these things always effect on result and met in market. All the things were calculated with the help of regression analysis, control on risk factors with loan value. Self-employed section always like to borrow from where they found less documented loans as compared to salaried workers section. But we care all section group for down payment and better credit scores. Mostly families first they see low interest rate then other things. So we can say that low interest rate here plays a great role we can give number as 1.) interest rate 2).time 3) amount.

Srivastava (2006) reckoned that the period of post-nationalization is a witness of an unprecedented expansion in Indian banking industry. By this Indian bank industry which is facing inefficiency and poor financial health over problem and it overcome by improve or efficiency of banks, various tectonic measures. That all happened since 1991. This affected on improvement in productivity, profitability financial position, human resources and product diversification of the banks. But till now, banks have still go to a long path which has to be covered in future for their competitive success. Indian Commercial Banks also need to change their system and procedure as compared to international standards and financial position.

Reddy & Reddy (2006) there is a paradigm shift towards legislation, markets, technology and beyond banks to non-banks. It is also evident that reforms can
succeed only if RBI, Government of India and banks make coordinated efforts themselves.

Patnaik & Chhatoi (2006) assessed the State Bank of India’s marketing efforts. The study showed that in India, the statues of banks is relatively good. Through their respective branches banks in India have a wide network and a very helpful in delivery of products to the customers, which are important to attract market and control market nowadays. For all that, some good steps they have taken up for improvement of the quality of its employees, customer service, product diversification and quality of product at their respective branches. But, all this affected on pricing which they have to manage due to the competition in the market.

Ramasastri & Samuel (2006). The purpose of the paper is to examine the trends and importance of banking for a 25 years period between 1980 and 2005. This study has covered both pre and post reforms period on comparative analysis of various banks with different variables which has identified certain specific problem. In this research paper they analyzed that in 1991 reform period a very great role was played by the public sector banks in the areas of deposit mobilization and credit disbursal. This was 75% of the total deposits mobilized and total credit expanded by all scheduled commercial banks. When, in late nineties domestic private entered into the business, there has been a considerable transformation in the deposits, which showed a big shift in favour of term deposits. This shift was showing two
hands, one is a decline was witnessed by demand deposits and the other savings bank deposits share, came in relatively even. With the foreign banks group, more short-term funds came in the name of demand deposits. Hence, business classes got attracted as better service was given by the foreign banks. This also affected in decline in the Non-Performing Assets (NPAs) by all the banks groups. With this constitution of NPAs of public sector banks, non-priority sector increased, whereas, NPAs there was a decline relating to priority sector. It is clear that both sectors affected by NPA exploded the commonly. Now the problem of NPAs came because of due in the credit allocation made in priority sectors. The positive effect of the NPA on the banking industry is clearly highlighted in this study. This development is a reason for worry for some and condemnation by others. But, in general point of view this reform is or was necessary and this brought a great turning point in this gradualism.

**Singla & Arora (2005).** While comparing the performance of both Indian Bank and Canara Bank it was perceived that in the research time they considerably improved their financial performance. Canara Bank has average working funds, but has an upper hand in the terms of growth in deposit. On comparison we found that productivity of Canara Bank is much higher that Indian Bank, although productivity in the both banks has risen.

**Reddy & Reddy (2005).** It was found that in the changing scenario of banking, SBI is the leading public sector bank. SBI made the radical changes
making the organization fit for the changes without much complexity. Both at the time of post nationalization and post reform era, SBI has taken the responsibility allocated to it. The performance highlights of the bank clearly indicates how from time to time the task and targets have been achieved thereby retaining top financial position and created a record by using information technology by making available anywhere any time baking facilities and computerizing its branches.

**Saumitra & Shanmugam (2005)** In the article the author has discussed about banking sector performance to achieve their goals which are set by the Narasimham Committee. Here the committee highlights reasons of poorly performing banks and set goals for them to encourage them so that they can come up from poor performance or poor signs and meet the Basel II norms by the year 2006. Indian banking sector should not go over their success in developing economy which can be harmful for their future growth. Policymakers are playing great role and giving extra cautions for free a reign in banking sector to make or follow-up a "profit and risk" based strategies. Recent trends are based on consolidation or growing disinclination for productive purposes and other unprofitable sectors which are agriculture, infrastructure self-help groups, housing loan. This is a growing engagement in non-productive operations, small and medium sized enterprises and consumer who will take loan in very seriously way to impair the role of banks that can be helping part of public development. But there is a need to make balance between these objectives which can be challenge to the banking sector for any time or in future performance.
Chakrabarti & Chawla (2005) The Authors have studied the performance and efficiency as key elements in the commercial banks. But they are also key factors of the effectiveness of financial sector of a country. We have a problem still now that public sector banks are still functioning on old mode as they want “developmental” with certain development which cannot be possible but lending objectives are very much lagging behind in the race of global market efficiency. During 1990-2002, popular methodology of data Envelopment Analysis has been used to assess efficiency of Indian Banks. Further the study analyzed the banking sector on the basis of “value” or profitability. From quantity perspectives or on the basis of volume of deposits and credit created with the input levels, the foreign banks are more efficient than Indian private banks. However, as far as performance is concerned Indian private banks have good reputation as compared to the foreign banks. Profitability is a key measure of financial performance of any sector. If we use it as sole measure then it cannot give proper result as we have many and several alternatives measures. As another alternative measure of bank performance is “spread” of the difference between the interest charged and interest paid by the banks. It can be known as proportion of total assets of the banks- the Net interest Margin (NIM). The analysis by this form risk management issues which came under consideration of government rules. Performance advantage between public and private sector banks was also judged in the result.

Venugopal (2004), the paper harps upon recent banking sector reform in view of the Narasimham committee fruitful and objective recommendation.
Further, it trace the issue each as interest margin, management of NPAs and information technology in banking.

Dixit, V.C. (2004) assumes that to succeed in the market, customers needs should be classified while designing new products more effectively, which can be pocket friendly with customers, what will preference given by the customers. To fulfill customer’s needs the staff should have adequate knowledge on the time of making marketing. A long-term planning is needed, but that we can change as the need of demand by customers for entire organization as we have only one aim, i.e. a customer.

Nachane & Ghosh (2004) Using quarterly data of the period between 1997 and 2002, the paper scrutinizes the influence of credit rating on capital adequacy ratios of Indian state owned banks. A multinomial log it model with multi credit rating indicators as dependent variable is estimated. As explanatory variables, the variables that can impose capital adequacy ratio have been used. One model for long-term credit rating and another for short-term credit rating have been assessed. The paper concludes that capital adequacy ratios are an important factor imposed on credit rating of Indian state-owned banks for both short-term and long-term ratings.

Gurumurthy, N. (2004) declares that technology nowadays is not a ‘differentiator’, but it is a ‘leveler’. After a series of flop feelings, most clients give preference to the technology. As we know bank products can be easily
copied by competitors but they are different manufactured name products. So it is very difficult to control on that. It is also be copied by the peoples who can copy some bank product and do fraud also. So it is not perfect model for marketers to compete the copy with limitations on price. The solution, if we say that we have solution, it can be laid down in marketing strategies. But we can take some polices which can bound others to not copy the products

Das (2003) reckoned that Corporation Bank emerged at top with Andhra Bank and Oriental Bank of Commerce for the financial performance during 2000-01. If we compare the listed or unlisted banks in 2000-01, then we can find listed banks ranked higher as compare to the unlisted banks. This is a big achievement by listed banks in financial sector.

Bakshi (2003) said that good point is not only interest in a bank but also it effect or care about the society, which they operate, their basic objectives. These objectives are give protection of depositors, interest rate and safeguarding of the system.

Trivedi (2003) pointed out that Indian Banks have always come ahead of their flexibility to modify doubts. By adopting right strategies of CRM, actual risk management systems and right operations asset-liability, they can change themselves organizations. For all this they require technological and developing human resources to face all the challenges which can be global market or domestic market for the paradigm shift.
Singh and Dass (2002) studied the implications reform measures in the banking sector. They found fragile banking system disrupts macro-economic stability and suggested human resource development technology, industrial relations and customer services and main pillars of attaining banks efficiency.

Bhukata (2002) articulated that the banking reform is against the long run objective of reducing fiscal deficit of the government. In this situation he argued that the reform should not be halted rather proceeded following trail and error method.

Devlin (2002) investigates choice criteria for consumers as relatively important. The author probed demographical and other differences in the importance of choice criteria. His study explains a home loan should always be chosen on the advice of a profession and also should be followed by the rates of interest. Differences in the choice criteria also come with other factors that are gender, age, class, income, educational and financial maturity. All other factor also plays an important role with the interest rate of loan.

Reddy (2002). Seven more scheduled commercial banks were nationalized in 1980 by the government, thereby raising 92% deposit share of public sector banks. This act gave such a big impact that a private bank cannot developed as much as public bank and we can say
that it is cut-off size of private bank, or they come under the threat of financial performance in nationalization

Ahluwalia, Montek.S (2002) This study deals with the impact of gradualist economic reforms in India on the policy environment from 1991 to 2001. Embarking on the process of earnest only in 1991, embarking in the wake of an exceptionally serve balance of payment crisis, India was a latecomer to economic reforms. India's economic performance in the post-reform period has many positive features. Opinions on the causes of India's growth deceleration vary. In 1991, fiscal profligacy caused India's balance of payments crisis, and at the start of the reforms there was an urgent need of a reduction in the fiscal deficit. India’s ability to attain higher rates of growth in future was doubted. In the post-reform period, as the performance in this field has declined on improving revenues, the central government should try to improve revenues. There is also no scope to lessen central government subsidies, which are highly deformed and poorly targeted, and to introduce rational user charges for services such as passenger traffic on the railways, the postal system and university education. In the early stage, reforms in industrial and trade policy were main focus.

Mukherji (2002) The Indian banking system always directed credit rules, which was an important source of input in funds for the key industries, financial performance and fiscal deficit of the country. For controlling savings by SLR and CRR, a big role was played by the Government.
Government also controlled the rate of interest on loans and savings of banks.

**Hanson (2001)** With an attempt to control banking system the second nationalization took place with a purpose to expand country’s the poorer section of the by lending and raising funds for them. The rates of interest were also monitored by the government so that 40% priority sector can be achieved. That was a good step by government for banks.

**Shenoy (2001)** dealt issue relating to the Indian banking and has stressed on the proper asset liability management and credit monitoring system.

**Kohli (2001)** From this article it is somewhat evident that no banks can weaken all of a sudden. As we have seen in the last 5 years many banks have shown that they are weak or partly weak, which cannot be possible to show all of a sudden. To solve this matter there is a gradual deterioration term which helped to know the position of loan default and profitability of any bank. By this no bank can say lie that they are weak all sudden.

**Saha (2001)** stated that the competitive viability of public sector bank expresses the view that in the banking industry liquidity reforms to the availability of funds to repay the demands of the depositors. Liquidity creates
trust among lenders and borrowers. As the maintenance of liquidity is always at the cost of interest earning, excess liquidity is a drain on profitability.

Sikider & Mukherjee (2001) explained Basle norms, cost income, measurement and their impact on commercial banks point out that over the recent years the public sector banks in India have been explored the severe competition from private state banks.

Varghese (2001) in his study attempted to associate customer satisfaction rendered by commercial banks in Kerala. It was found that services rendered by both public sector banks and private sector banks were familiar.

Haavio & Kauppi (2000) acknowledged unemployment rate is higher in the countries with a larger population living in occupied housing as compared to the countries where large population live in private rental housing. So here is a comparison between both of them which can suggest us that labour mobility brought rental housing. A simple inter temporal region model has been shown in this study comparing rental markets with the owner occupied housing markets. In the analyzing time we have to focus on some points that are how alternative arrangements help people to decide the space and time. As we know SBI has always beat other banks and came in new heights. They came high or new height is because of their lower rate of interest. The loans always come down every month as these are always calculated on principal. In contrast other banks compute their rate of interest on home loans on annual
basis rather on monthly basis. This gives big bounce to SBI in housing loan performance.

To ensure the code of best practices Gadkari (2000) proposed corporate governance in the public sector banks to achieve high standard of corporate behavior. He also suggested that the board of directors, external auditors and supervisors of public sector banks struggle to achieve greater degree of integrity, transparency, openness, and accountability in the working of the banks.

Narasimham (2000) in a study related to PSB point out the true reasons for the crisis in PSB. These are as follows:

- Problems encountered by banking industry globally and the response by central bank;

- Prudential norms introduced by the RBI in 1993 and their influence on the Indian banking system; and

- The transformation of banks and banking business due to forces unleashed by the IT revolution.
Taori (2000) dealt with the NPA management in PSBs and stated surest way of containing NPAs is to prevent their occurrences. He suggested proper risk management; strong and effective credit monitoring, cooperative working relationship between banks and borrowers etc should be tents of NPA management policy.

Srivastava (2000) stressed on accelerating pace of the progress of computerization of banks branches to enhance the profitability, operating efficiency, service quality and diversity the earning base.

Chakarborty (1999) studies that transfer price mechanism expresses its view that the four key-factors– unit level, profitability, proper costing and pricing are must for its strengthening the boundaries of banking business in the past Narsimhan Committee phase of Indian Banking

Chidambaran (1999) studied that the promotional mix available to banker for marketing services such as direct marketing, public relations, social banking and customers meets. The study conclude that a good promotional mix is one that : (a) that takes into account the objective of the banks and lays emphasis on those services which are of cover significant; (b) reaches various customers segment very effectively; (c) creates a desire to speak out the service offered.; (d) builds a positive image for the bank.
Khanna (1999) in his paper examined the impact of financial reforms in the industrial sector in India and found financial sector reform have achieved a little in the goal of making the industrial sector more efficient and globally competitive.

Joshi (1999) in his paper viewed that banking sector reform has been over emphasized on profit neglecting the distributive role of banks. The companies with high net worth within the organized sector are capable of raising funds at a considerable lower rate of interest while credit disbursement to small borrowers has sharply been declined over the years.

Verma (1998) viewed in the context of on going globalization process that Indian commercial banks are getting their shape well and becoming technologically better equipped and stronger in the capital base.

Patibandla & Prusty (1998) analyzed the financial system in the context of East Asian Crisis and suggested the need of need of right and effective financial institutions.

Hunger (1998) analyzing first phase of reforms found that with the introduction of reform packages, banks have improved their profitability, started cleaning their balance sheet, improved the NPA position, but they are yet to give more focus on nationalizing cost structure.
Satish & Gopalakrishna (1997) suggested that systematic manner of bank operation will ensure the viability of rural banking.

Gupta, O. (1997) explained the materialization of services sector and experience of banks in the service marketing. According to him customer satisfaction is the key to success and suggested a few measures to meet customer’s expectations and needs.

Kohli (1997) examined the priority sector lending. He observed the existence of significant linkages between bank credit and investment in both agriculture and industries in India. He suggested that although directed credit programme for priority sector lending is effective in India, however, positive support to small scale units is required is also required to be noticed. He advised that banks should try to make developmental business to meet social responsibility a success.

Ajith & Bangar (1997) in a study relating to financial intermediation in banks states that the interest rate deregulation has given greater degree of flexibility to banks to change risk premium and reduce credit rationing. In a deregulated regime the ability and efficiency of banks to screen and monitor project have significant implications for the effectiveness of the system.
Das (1997) in a study relating to the efficiency of public sector banks in India points out that deregulation provided increased opportunities for banks to expand their portfolios but at the same time introduced new uncertainties and risk.

Jain & Balchandran (1997) explained that the liberalization of the economy in general and financial sector in particular, the risk dimensions facing its Indian commercial bank have multiplied. Bank which were familiar only with credit risk relating to non-payment earlier are now facing multiple financial risk in the form of credit risk relating to non-payment and non-performing risks, interest rate risk, exchange risk, maturity gap, housing loan and technology risk.

Malik (1996) explained human resources always play a big role in the success of any banking. But there are many other aspects of human resources development in banks. If we compare global banking human resources, till now skill level in Indian banks is one of the most important aspects needs to be up to the mark. Human resources, they know who will perfect for which work, they judge in well a workforce which seeking by banks for major performance. But only improvements in them had no option. We have to overcome improvement in regularly and speedily.

Sreedhan (1996) explained that different aspects of treasury management strongly argues that in India the only plausible ledge available to banks
against interest rate risks is its natural hedge arising out of investment of borrowed resources in assets that have matching term and maturities. Banks do not have flexible alternatives that the easily accessible to hedge perceived risks.

**Talwar (1996)** in an article on the current banking scenario and the need for a policy change, opines that a major concern addressed by banking sector reform is the empowerment of the financial health of banks. The introduction at prudential norms is better financial discipline by ensuring that the banks are alert to the risk, profit of their loan portfolios.

**Garg (1994)** studied that in last two decades Indian scheduled commercial banks have performed very well and they progressed remarkably. They expanded their branches in rural areas, developed in products, deposits mobilization and credit deployment in small borrowers. By this there is no negative effect on their profits but other hand they kept pace with their growth, which is remarkable. But if we compare with foreign banks then their profit share have declined, but it is with a smaller geographical coverage, but they get profits equal to the 20 nationalized banks can earn profit. Here they have lot of difference in advances, investments land rates as on compare with Indian and foreign banks.

**Boyd (1994)** the study concludes on rate of interest charged on loans, interest on savings accounts, reputation. All these interest have played an
important role for customers and financial performance of a bank in market. But customers also care other criteria such as how much friendliness of employees, product, online facilities, paper work and follow-up.

Nair (1994) studied rural bank marketing in Kerala and evaluated the product or service offered by banks. He has also tried to examine the diversified needs of rural customers in state through field survey of 250 rural bank customers in Ernakulam district. The study showed that proximity, quick loan facility and better service were the three major variable influencing the rural customers’ before selecting bank. Interest rate on deposit was not a criteria for rural depositor and they give preference to security and liquidity. He observed that delay in sanctioning loans and procedural inconvenient in rural commercial banks have passed the way for flourishing business of money lenders. Commercial bank in rural areas have not adopted any novel method to promote banking activities in their operational areas. 89% of the customers were totally unaware before rate of interest on lending schemes. The faith of rural customers in nationalized bank was completely high. So they should impart better service to improve their image.

Sathish (1992) evaluated the quality of customer service in public sector banks so as to find out the reason for the deterioration of customer service in there banks. It was observed that public sector banks were not adhering RBI time norms in completing various transactions.
Spencer (1991) pointed that the importance of bank image as competitive strategy for increasing customer traffic flow. Preference for bank amongst students as provider of financial services, greater confidence in large medium sized banks, importance of customers by personnel, competitive deposit rates and loan availability were the key findings.

Narasimham Committee (1991) In the last two decades various changes came in the banking system in our country that were focused and highlighted by Narasimham Committee. Till now has progress going on. By this bank came to know their weak points and how to came up. There were many aspects which decline in productivity, efficiency and profitability of a bank system. The committee strongly makes liberalizing, strong economy steps to make Indian baking system efficient.

Sreedhar (1991) studied on marketing in commercial banks. For marketing or promotions commercial banks focuses more on on research. There are many aspects in marketing to serve your services. By the research, lots of suggestion came to improve the marketing to changing customers behaviour environment.

Brahmandam & Narayana (1990) tried to find out the problems of customers in transacting with bank branches and to measure the extent of customers’ satisfaction with service of banks. The study revealed that convenient location and suitable timing have played a dominant role in selecting branch.
Punctuality in opening and closing the branch was obsessed & at time work even extended beyond normal hours to clear off waiting customers, withdrawal of cash was possible with in 10 minutes. About 33 percentage of responded faced problems in getting the pass book entries updated and illegible hand writing, abbreviations used, wrong entries were all problem faced with pass book entries. Nine-three present of respondent opined that they were not given instant credit for out station cheques below Rs. 2500 as per RBI guidelines.

**Rangaranjan (1988)** Remarks that division of banks credit for productive purpose in essential for economic development. Banks are more rigid in lending activities and therefore deserving and needy people are not getting financial assistance. New measures are essential to ensure that loan reach deserving hands.

In his paper "Modern International Comparison between Productivity and Profitability of Public Sector Banks in India" **Ojha (1987)** compared both public and private sector banks on the basis of their employees. He found that Indian banks, for example Punjab National Bank and State Bank group, are going down overall as compared to private banks. This demoralized them so much because of numerous reasons that international comparison will not give good impact on national levels.
In the essay, “Looking a Fresh at Banking Productivity” Godse (1983) evaluated the main objective in banking industry is the productivity. He suggested costing of operations can improve banking productivity, with a little care to capital expenditure, to achieve their target.

Fanning (1982) observed that UK banks productivity has improved in the last 5 years as they are seriously operating their rules as compared to other banks.

In his study “Development Responsibility and Profitability of Banks” Kulkarni (1979) cited a few aspects which cannot be ignored by the banks, i.e. costs and social benefits. He suggested that banks should try to make some developing products for its business at the time of social responsibility, a success.

Varde and Singh (1979) in their study “Profitability of Commercial Banks Over 15 Years” highlighted two main factors affecting levels of rate of interest, i.e. internal and external factors. Individual’s managerial efficiency is an example of internal factor and customer behavior is the example of external factor.

Banking Commission (1972) give some recommendations to the banks to modernization and improvisation of their financial performance after reviewing
their operating methods and procedures. The attention was paid on customers’ related services and credit procedure etc. also. It was observed that at present a lot of efforts are made to work out branch profitability, which is not enough to know the actual value. A need of financial reporting system and integrated costing development is required.

**Department of Banking Operations and Development, Reserve Bank of India**: After 1970 a phase started which showed expansion of banking activities. This phase presented an overall improvement in banks’ operational efficiency, customer services, products and human resources.