SUMMARY AND SUGGESTIONS
CHAPTER VII

SUMMARY AND SUGGESTIONS

A summary of the study is presented in this chapter.

CHAPTER - I

1.01. The study had been undertaken with the following objectives:-

To give an overview of the performance of the public sector banks in India, to
analyse the performance of the sample banks with reference to mobilisation of resources,
to study the performance of the banks under consideration from the point of view of
loans and advances, to analyse the profitability of the sample banks, and to offer
suggestions.

1.02. Seven public sector banks were selected as sample, viz,

Andhra Bank, Canara Bank, Central Bank of India, Corporation Bank, Indian
Overseas Bank, State Bank of India and Union Bank of India.

1.03. A classified analysis was made on the basis of Group-wise, Location-wise
and Deposit-wise.

The classification of the sample banks on the basis of group-wise is as under:

(i) Banks Nationalised in 1969
   a) Canara Bank
   b) Central Bank of India
   c) Indian Overseas Bank, and
d) Union Bank of India.

(ii) Banks Nationalised in 1980
   a) Andhra Bank, and
   b) Corporation Bank.

Location-wise the sample banks are classified as under:
   (i) Banks based from South India
       a) Andhra Bank
       b) Canara Bank
       c) Corporation Bank, and
       d) Indian Overseas Bank

(ii) Banks other than south based
   a) Central Bank of India
   b) State Bank of India, and
   c) Union Bank of India

The classification of the sample banks on the basis of deposit-wise is as detailed below for analysing the profitability of banks:

(i) Banks with deposits less than Rs. 1000 crores
    a) Andhra Bank, and
    b) Corporation Bank

(ii) Banks with deposits of Rs. 1000 crores and above.
    a) Canara Bank
    b) Central Bank of India
    c) Indian Overseas Bank
d) State Bank of India, and
e) Union Bank of India.

1.04. The study was divided into seven chapters. The first chapter deals with review of literature, importance of the study, statement of the problem, objectives, methodology and limitations of the study. The second chapter deals with brief history of public sector banks in India. The profile of the sample banks is given in the third chapter. Fourth chapter analyses mobilisation of resources. Fifth chapter gives an account of deployment of credit. Profitability of the sample banks is analysed in the sixth chapter and the final chapter brings out the findings of the study and suggestions to improve the performance of the sample banks.

CHAPTER - II

2.01. The Indian banking system has been undergoing structural and ideological changes. In the pre-nationalisation period, bank failures were common and growth was slow. The performance of commercial banks were worse during that time. In order to accelerate economic development, nationalisation of 14 major commercial banks was promulgated on 19th July 1969 and six more banks were nationalised on 15th April 1980.

2.02. Indian Banking has undergone wide changes after nationalisation. Branch network has increased from 8262 in 1969 to 45964 in 1991-'92. Deposits spurted from Rs.5258 crores in 1969 to Rs.264920 crores in 1991-'92. Loans portfolio also improved to Rs.159051 crores from Rs.3732 crores in 1969. Profits of the commercial banks also increased from Rs.11.10 crores to 1200 crores in 1991-'92.
CHAPTER - III

The profile of the sample banks was given in the third chapter:

3.01. Andhra Bank

The networth of the bank has increased from Rs.6 crores. Profit registered a growth of 8 times. The bank has a network of 951 branches in 1991-'92.

3.02. Canara Bank

The networth of the bank registered a growth of 149 times during this period. Profit of the bank has increased from Rs.1 crore to Rs.157 crores. 1659 branches had been opened during 1969 to 1991-'92.

3.03. Central Bank of India

Capital and reserves increased from Rs.5 crores to Rs.1133 crores and from Rs.8 crores to Rs.50 crores respectively during 1969 to 1991-'92. Profit of the bank increased by 31 times.

3.04. Corporation Bank

The capital base of the bank has increased from Rs.1 crore to Rs.17 crores. During the period 1980-1991-'92, 116 branches had been opened.

3.05. Indian Overseas Bank

The capital of the bank has increased from Rs.1 crore to Rs.320 crores. The bank extended its operations to rural and semi-urban areas by opening 1082 branches during the period.
3.06. State Bank of India

The networth of the bank spurted to Rs.1290 crores in 1991-'92 from Rs.20 crores in 1969. 7012 branches had been opened during this period.

3.07. Union Bank of India

The capital of the bank has increased from Rs.1 crore to Rs.58 crores during 1969-1991-'92. Profit of the bank has increased by 300 times during this period.

CHAPTER IV

4.01. The growth of deposits of commercial banks during pre and post nationalisation period on the basis of Five Year Plans clearly reveals that a rising trend is observed except during Sixth Five Year Plan. The highest growth rate (26.4%) was registered during the Fifth Plan period.

4.02. Ownership pattern of banks is bound to have significant influence on deposit mobilisation. It is found that nationalised banks have a major share of 58% in total deposits followed by State Bank of India and its Associates (27%), Foreign Banks (8.5%), Other Scheduled Commercial Banks (4.2%), and Regional Rural Banks (2.3%).

4.03. Growth of fixed deposits of the commercial banks shows that the private sector Indian banks have fared well, whereas the performance of the nationalised banks is not satisfactory. The share of fixed deposits of SBI and its Associates has declined from 26.5% to 25.0%. The same is the case in respect of private sector foreign banks also.
4.04. Trend of savings deposits and current deposits of commercial banks depict that the private sector Indian banks are doing well when compared with all the other groups. The share of savings deposits and current deposits has significantly increased from 2.6% to 4.9% and 1.6% to 4.9% respectively.

4.05. State Bank of India has mobilised more volume of deposits during the study period. The deposits has increased from Rs. 9,636 crores in 1980 to Rs. 60,192 crores in 1991-'92.

4.06. It was found from the study that Corporation Bank is better placed among the sample banks in terms of growth taking 1980 as the base year as the share has remarkably increased by 7.6 times. In the same way, compound annual growth is more in the case of Corporation Bank (20.43%) and this is followed by Canara Bank.

4.07. The study also makes it clear that among the sample banks, market share of State Bank of India is more than that of others. The market share of State Bank of India among public sector banks varies from 22.77% to 25.51%, whereas the market share is very low in the case of other sample banks.

4.08. Among the banks nationalised in 1969, performance of Canara Bank is significant as the share has gone up from 8.33% to 9.84% during the study period and the growth of Canara Bank is 6.7 times, whereas the growth of all public sector banks nationalised in 1969 is only 5.7 times.

4.09. The performance of Corporation Bank is better among the six banks nationalised in 1980. The growth of Corporation Bank is 7.6 times during
the study period, whereas the growth of all public sector banks nationalised in 1980 is only 6.1 times.

4.10. The growth of fixed deposits of the sample banks over previous year reveals that the performance of Canara Bank is better as the compound annual growth is 19.66% and this is followed by Corporation Bank (19.64%).

4.11. It was also found that the performance of Canara Bank is better in mobilising fixed deposits taking 1980 as the base year. The share of Canara Bank is 711.80% and this is followed by Corporation Bank (694.74%).

4.12. The growth of savings deposits of the sample banks over previous year shows that Corporation Bank is in the first place as the annual growth rate is 20.72%. In the same way, the performance of Corporation Bank is significant as the growth of savings deposits over 1980 has increased by 7.7 times and it is only 5.9 times in the case of State Bank of India.

4.13. It was found from the analysis that the highest annual growth rate was observed by Corporation Bank (23.85%) taking previous year as the base year in mobilising current deposits. Corporation Bank is also well placed as the share of current deposit has increased by 9.6 times, whereas it is 6.3 times in the case of State Bank of India.

4.14. The deposit mix of the sample banks contain more volume of fixed deposits (57.89%) and this is followed by savings deposits (22.74%) and current deposits (19.38%). Fixed deposits of the sample banks show an increasing trend during the study period. This implies that customers
prefer fixed deposits than savings and current deposits considering the reasonable rate of return.

4.15. The deposit mix of the sample banks also reveals that the proportion of fixed deposits of Indian Overseas Bank (67.48%) is more in the deposit mix and State Bank of India is in the last place (51.23%).

4.16. The share of savings deposits is more in the case of Union Bank of India (26.41%) and Indian Overseas Bank is last in the race (19.13%).

4.17. State Bank of India holds more percentage of current deposits (26.53%). Central Bank of India is in the second place.

4.18. Group-wise analysis of deposits clearly reveals that State Bank of India is occupying the first place in the mobilisation of deposits. The second place is being occupied by the sample banks nationalised in 1969 and this is followed by sample banks nationalised in 1980.

4.19. Banks other than south based have mobilised more volume of deposits during the study period than the south based banks.

4.20. Per employee deposit is more in the case of Central Bank of India (Rs.0.16 crores) and this is followed by Andhra Bank, Canara Bank, Indian Overseas Bank and State Bank of India (Rs.0.14 crores).

4.21. Group-wise analysis of deposit per employee reveals that the performance is comparatively better in the case of banks nationalised in 1969.
4.22. The performance of banks other than south based is better in the area of per employee deposits.

4.23. Canara Bank is catching the first place with an average per branch deposits of Rs. 3.77 crores. An important thing to be noted in this connection is that State Bank of India (3.72%) is only in the third place.

4.24. On the basis of group-wise per branch deposit, it is more in the case of State Bank of India. On the basis of location-wise per branch deposit, it is more in the case of south based banks.

CHAPTER V

5.01. State Bank of India has granted more volume of advances during the study period. The advances granted by State Bank of India has increased from Rs.7,213 crores in 1980 to Rs.44,018 crores in 1991-'92. This may be due to efficient marketing mechanism in dealing with loan proposals.

5.02. It is also found from the study that the advances of Canara Bank has grown by 6.8 times during the study period taking 1980 as the base year. This is followed by Corporation Bank (6.3 times).

5.03. Corporation Bank has granted on an average 40.30% of its total credit to priority sector during the study period which is the highest among all the banks. The last place is being occupied by Indian Overseas Bank (25.91%).
5.04. Andhra Bank has granted more than 18% of its total credit to agriculture and this is due to the approach followed by the bank in meeting individual credit needs.

5.05. Corporation Bank has fared well by granting more than 15% to small scale industries. In the area of OPC also, Corporation Bank stands first by granting 10.48% of total credit during the study period.

5.06. Andhra Bank is the only bank that has attained the priority credit target of 40% of total advances for a period of 8 years and Corporation Bank has attained the target for a period of 7 years. Canara Bank and Union Bank of India have attained the target only for a period of 5 years. To the dismay, both State Bank of India and Indian Overseas Bank have not at all attained the target during the study period. The study thus makes it clear that the premier banking institution i.e., State Bank of India has failed to fulfil the social obligations to the stipulated level.

5.07. Andhra Bank is better with regard to credit provided to small road and water transport operators and this is the only bank that has not recorded negative growth during the study period. State Bank of India has granted more volume of credit to retail trade, small business, professional and self employed and housing loan for weaker section. Canara Bank is better with regard to educational loans, as the quantum of educational loans has increased from Rs.228 lakhs to Rs.3949 lakhs, highest among the sample banks.

5.08. Again in granting credit for pure consumption purposes and advances to State sponsored organisations for SC/ST for purchase and supply of inputs and marketing of outputs, SBI is occupying the first place. Though
quantum-wise State Bank of India is leading it has got negative growth during most of the years of the study period.

5.09. Small road and water transport credit as a percentage to other priority credit is (44.51%) more in the case of State Bank of India. Retail trade credit as a percentage to OPC is comparatively better in the case of Union Bank of India (34.00%). The average share of small business to OPC is the highest in the case of Canara Bank (15.46%). Professional and self employed credit as a percentage to OPC is impressive (21.96%) in the case of Union Bank of India. Canara Bank is leading in the area of educational loans as a percentage to OPC, as the average share is 3.50%. The performance of Andhra Bank is impressive in the case of housing loans as a percentage to OPC with 4.67%, the highest among all the sample banks.

5.10. Indian Overseas Bank stands first in the area of pure consumption loan as a percentage to OPC. Andhra Bank is occupying the first place in the case of advances to State sponsored organisations as a percentage to OPC, as the average share is 2.00%. It is interesting to note that Indian Overseas Bank which was occupying the first place in the area of pure consumption loan as a percentage to OPC is pushed to second place in the case of advances to State sponsored organisations as a percentage to OPC.

5.11. Group-wise analysis of agricultural credit as a percentage to total credit of the sample banks clearly reveals that banks nationalised in 1980 have granted 18% of total credit to agriculture for a period of 9 years during the study period. It is also disheartening to note that both State Bank
of India and banks nationalised in 1969 have not at all attained the target during the study period.

5.12. Group-wise performance of small scale industries credit as a percentage to total credit indicates clearly that the sample banks failed to attain the target.

5.13. In the case of OPC as a percentage to total credit, both banks nationalised in 1969 and banks nationalised in 1980 have attained the target for a period of 9 years i.e., from 1983 to 1991-92.

5.14. Group-wise performance of the sample banks in the area of OPC reveals that State Bank of India has granted more volume of credit to all the sectors namely small road and water transport operators, retail trade, small business etc.

Thus the performance of State Bank of India is comparatively better.

5.15. Location-wise analysis of OPC reveals that the performance of banks other than south based is comparatively better in the case of small road and water transport operators, retail trade, small business, professional and self employed, pure consumption, State sponsored organisations for SC/ST and housing loan for weaker sections.

5.16. It was found from the study that the performance of south based banks is better in the area of educational loans.
5.17. State Bank of India is in the first place in the area of per employee advances (Rs.0.10 crores) and per branch advances (Rs.2.73 crores). State Bank of India tops the list of CDR and this is due to the fact that the bank is very careful in having a judicious mix between deposits and advances.

CHAPTER VI

6.01. State Bank of India is leading among the sample banks with the quantum of profits increasing from Rs. 1,202 lakhs in 1980 to Rs.17,505 lakhs in 1991-'92.

6.02. Profits of Canara Bank has increased by 36.8 times during the period of study as compared to 14.6 times in the case of State Bank of India. The performance of Canara Bank is better taking 1980 as the base year.

6.03. Performance of Canara Bank is impressive with regard to profit as a percentage to deposits with an average share of 0.43%. Again its performance is remarkable as a percentage to advance with 0.74%. The share of State Bank of India is 0.23% among the sample banks. Profit as a percentage to income is also more in the case of Canara Bank (3.63%) and it has grown by 3.3 times during the study period. Performance of Canara Bank is again better in the case of profit as a percentage to expenses with an average of 3.80%. An interesting point to be noted here is that State Bank of India is relegated to the last place. Profit as a percentage to operating expenses of the sample banks clearly reveals that the first position is again caught by Canara bank (13.55%). Profit as a percentage to establishment expenses of Canara Bank has increased from 9.65% to 52.50% with an average of 20.07%, the highest among all the sample banks. Again Canara Bank stands first in the
area of profit as a percentage to spread (13.05%). Profit as a percentage to working fund has increased from 0.19% to 0.95% in the case of Canara Bank. Other sample banks follow Canara Bank. The per branch profit of Canara Bank has increased by 23.4 times during the study period and this is followed by State Bank of India. The average per branch profit is also more (Rs.2.17 lakhs) in the case of Canara Bank. The average per employee profit is also the highest in the case of Canara Bank (Rs. 0.08 lakhs) and it has also registered a growth of 26 times during the study period. Thus it is ascertained from the study that the performance of Canara Bank is excellent in all the aspects of profitability.

6.04. Deposit-wise analysis of the sample banks reveals that banks with deposits less than Rs.1,000 crores are leading in the case of profit as a percentage to deposits.

6.05. Classified analysis of profit as a percentage to advances of the sample banks brings to light that banks with deposits less than Rs.1,000 crores are impressive as the average profit as a percentage to advances is 0.47% as against 0.31% in the case of banks with deposits of Rs.1,000 crores and above. Again banks with deposits less than Rs.1,000 crores are leading in the area of profit as a percentage to income. The performance of banks with deposits less than Rs.1,000 crores is attractive as far as profit as a percentage to expenses is concerned. Classified analysis of profit as a percentage to operating expenses of the sample banks shows that performance of banks with deposits less than Rs.1,000 crores is ahead as the average profit as a percentage to operating expenses is 8.76%, whereas it is 5.90% in the case of banks with deposits of Rs.1,000 crores and above. In the area of profit as a percentage to establishment expenses also, banks with deposits less
than Rs.1,000 crores is performing better with an average of 12.11%. Again it is also leading in the case of profit as a percentage to spread and profit as a percentage to working capital. Classified analysis of per branch profit of the sample banks clearly shows that banks with deposits of Rs.1,000 crores and above are better (0.71%) as compared to banks with deposits less than Rs.1,000 crores. Banks with deposits less than Rs.1,000 crores are leading in the area of per employee profit as the average is 0.04 lakhs, whereas it is 0.03 lakhs in the case of banks with deposits of Rs.1,000 crores and above. Thus deposit-wise analysis of the profit of the sample banks shows that banks with deposits less than Rs.1,000 crores are performing well in all the areas, except per branch profit.

6.06. Profit as a percentage to deposits of the sample banks on the basis of location-wise reveals that the sample banks nationalised in 1980 are better as the share is more in all the years as compared to banks nationalised in 1969 and State Bank of India.

6.07. Profit as a percentage to advances of the sample banks is better in the case of banks nationalised in 1969 as it has grown by 3 times during the study period, whereas the growth is only 1.3 times in the case of banks nationalised in 1980.

6.08. Profit as a percentage to income of the sample banks on the basis of group-wise indicates that banks nationalised in 1980 did well as compared to banks nationalised in 1969 and State Bank of India. It is found from the classified analysis of profit as a percentage to expenses of the sample banks that the average profit as a percentage to expenses is 2.61% in the case of banks nationalised in 1980 against
2.43% in the case of banks nationalised in 1969 and 1.31% in the case of State Bank of India. Profit as a percentage to operating expenses of the sample banks on the basis of group-wise is more in the case of banks nationalised in 1980. Again banks nationalised in 1980 is leading in the area of profit as a percentage to establishment expenses. This is followed by banks nationalised in 1969. State Bank of India is in the third place. The performance of banks nationalised in 1980 is impressive in the area of profit as a percentage to spread and profit as a percentage to working fund of the sample banks.

6.09. Per branch profit of the sample banks is impressive in the case of banks nationalised in 1969. Per employee profit of the sample banks reveals that the performance of the banks nationalised in 1969 is better. Though the average per employee profit is the same in the case of banks nationalised in 1969 and 1980, the per employee profit has grown by 13 times in the case of banks nationalised in 1969, whereas it is grown only by 3 times in the case of banks nationalised in 1980.

It is understood from the study that the banks nationalised in 1980 are leading in all the areas except profit as a percentage to advances, per employee profit and per branch profit.

6.10. Location-wise analysis of the sample banks, in the case of profit as a percentage to deposits shows that the performance of south based banks is better as compared to the performance of the banks other than south based.

6.11. South based banks are in the lead in the area of profit as a percentage to advances. Again the performance of south based banks is better in
the case of profit as a percentage to income.

6.12. Profit as a percentage to expenses of the south based banks is better as compared to banks other than south based. Again the performance of south based banks is impressive in the case of profit as a percentage to operating expenses of the sample banks.

6.13. Profit as a percentage to establishment expenses of the sample banks is better in the case of south based banks (15.10%).

6.14. The classified analysis of profit as a percentage to spread of the sample banks clearly reveals that the average share of profit is 12% in the case of south based banks whereas it is 6.28% in the case of banks other than south based.

6.15. The share of profit as a percentage to working fund of the south based banks (0.27%) is more than the share of Indian Banking Industry (0.19%) and banks other than south based (0.13%). South based banks are ahead in the area of per branch profit and per employee profit.

Location-wise analysis of the sample banks reveals that the south based banks are doing comparatively better than the banks other than south based.
SUGGESTIONS

The researcher has offered the following suggestions to improve the performance of the Commercial Banks with particular reference to public sector banks in the following pages:

1. Interest rates on long term deposits should have a relationship with the general trends in the money market. In capital scarcity economy, with severe credit restrictions, the general rate structure is fairly high. The rate of interest on bank deposits is below this level. The rate should be higher considering the big interest spread.

2. The mode of disbursal of interest should be given attention. Banks do not give monthly interest and if they do so, it is on a discounted basis. This hurts the depositors and when they see that UTI and others give advance monthly cheques without discounting the interest, the behaviour of banks becomes inexplicable to them.

3. Untapped resources should be mobilised especially from rural areas.

4. Overdraft facilities given in the case of current accounts should also be given in the case of savings deposit.

5. From time to time new deposit schemes have to be introduced to attract the customers and to withstand the competition from non-banking companies and financial institutions.
6. Wide publicity should be given to inform the customers about the novel and innovative deposit schemes.

7. Incentives may be given to the customers with a view to attract more volume of deposits.

8. No interest is payable on the cash balance in current accounts. As most of the business people carry their business operations with the borrowed funds, they are bound to pay interest on such amounts. The banker also makes use of the deposits of current account holders for short term lending like 'money at call and short notice' and earns interest on them. In such cases, allowing some interest to current account holders may not impose any risk on the bankers.

9. Interest paid in excess of Rs.10,000 on a bank deposits in a financial year is subject to tax deduction at source. Thus customer would be tempted to split existing large amount in time deposit accounts being kept by them in different branches of the same bank, adding to the administrative cost and burden. In the highly competitive financial sector, it is a retrograde step. Hence it may be abolished.

10. The borrower should be capable of generating realisable income to meet the cost of the credit namely interest. Personal integrity is the essential quality even if the borrower has other capacities and abilities to run the business efficiently. By knowing the past trend and trait of the borrower, a lender must guard himself from repetition of mistakes. A known danger has to be avoided and that unknown at the time of grant is the risk element. Thus the banker should be very cautious while granting loans and advances.
11. SLR and CRR requirements reduce the lendable resources available to a banker. Hence RBI should take necessary steps to reduce SLR and CRR to enhance the profitability of the public sector banks.

12. Demand for credit now-a-days is also low due to tough competition from the non-banking finance companies. For this, banks have to adopt efficient mechanism to market advances through personal selling or sales promotional techniques.

13. Credit granted to priority sector yields lower income than the commercial lending. Hence it is suggested that the priority sector credit limit may be brought drawn to 10% from 40% as per the recommendations of the Narasimham committee.

14. The definition of priority sector may be suitably amended to give more emphasis to small farmers and exclude that class of agriculturists, small scale industrialists, professionals and small road and water transport operators who are affluent enough to pay commercial interest on their borrowings from banks but continue to obtain favour of the concessional interest presently classified under priority sector. This would increase bank's yield on advances. Further exclusion of export from the priority sector at a time when the country is faced with balance of payments problem is causing a distortion in efforts. A strong case, therefore, exists for inclusion of exports within the priority sector and the components to be included in it be reviewed at the time of finalisation of the country's Five Year Plans and thrust areas identified in such plans.
15. Thrust should be given to housing loan, pure consumption loans and advances to State sponsored organisations for SC/ST. To ensure a better standard of living, housing loans should be given to the weaker sections of the society for the construction of houses. In the same way advances should also be given to state sponsored organisations for SC/ST. Educational loans may be given to deserving candidates which would ensure a better future for our country.

16. Good banking aims at fast recycling of funds. Prompt repayment of principal along with interest ensures effective recycling of funds. If repayment is not proper, banks are forced to borrow the required funds in the money market at high rates of interest. Thus expenses of bank go on increasing without increase in its main source of income viz., interest, resulting in declining profitability. Prompt recovery and efficient recycling of funds will improve the profitability.

17. With profitability the sole criterion for determining the viability of bank, banks today are straining every nerve to reduce expenditure and increase reserves. A substantial reduction in expenditure can be achieved if banks alter their deposit mix to include a larger percentage of low cost deposits. Every bank depending on their present position, their branch network and other infrastructure available should plan for this objective; those who achieve it in the quickest possible time would perhaps become to be the ‘fittest’ to survive in the future.

18. While banks on a world wide are run on commercial lines, the imposition of social obligations on Indian banks has an adverse impact on their profitability. They are operating in a regulated environment where policies of directed investment and directed credit are in vogue. While the
prospects for profitability are not altogether bleak, what is required in the current context is a systematic effort on the part of the bankers to augment income, reduce or control expenditure and improve the operating efficiency by restructuring the organisation.

19. Following are the areas for maximising the returns:-
   i) Conscious attempts to increase yield on investments
   ii) Better cash management
   iii) Management of non-performing assets.
   iv) Attention towards non-fund business.

20. Pressures on profit have intensified with growing competition. Given the recommendation of Narasimham Committee, there will be new banks both foreign and Indian hotting up the inter-bank competition. Identifying customer need and delivering a range of services that would meet the requirements in a bid to acquire a competitive edge is the need of the hour.

21. It is the concern of the banking industry to improve the manpower productivity or increase business volume per employee. There is need for improving productivity by also having a relook at systems, procedures, practices, etc. These would lead to work simplification and pave the way for cost control. Training of bank personnel should receive attention. Steps should be taken to improve the morale/motivation of staff.

22. The following measures should be taken by RBI/Government of India which consist of:
   i) Stepping up rate of interest on food credit
   ii) Raising coupon rates on Central Government Securities
iii) Stepping up of interest paid on eligible CRR/SLR balances in excess of 3% of DTL, in stages to 10.5%.

iv) Contribution towards share capital by Government, etc.

23. **Diversification of business in the following areas of business is an effective way to combat competition.**
   
i) Leasing
   
ii) Credit cards
   
iii) Factoring
   
iv) Venture capital
   
v) Housing finance
   
vi) Portfolio management
   
vii) Mutual funds
   
viii) Certificates of deposit
   
ix) Investment banking etc.,

24. **There is an urgent need for upgrading of work technology so that transactions would be carried on expeditiously.** Electronic banking has revolutionised the banking operations in foreign countries. The banks have to gear up their administrative setup and work towards streamlining their operations. The staff rendered surplus by virtue of introduction of computers may be utilised to recover overdue advances and to mobilise more volume of deposits.

25. **Now-a-days banks have only business planning rather than profit planning.** If profit planning is also insisted upon, the performance may be better. Hence it is suggested that Indian public sector banks should take all out efforts in this regard.
EPILOGUE

The Indian Banking Industry is at the threshold of an exciting phase. In a world where the contours of finance are changing faster than they are drawn, it is imperative that the banks make an introspection and decide on the changes that are to be brought in their functioning. The future of the Indian Banking Industry at no time is as uncertain and shaky as it is now. From operating in comfortable shores of protected markets and predominant role in the economy, banking is entering into choppy waters of competition and volatile environment. Every aspect of the functioning of the banking industry, be it the resource mobilisation, credit administration, asset management, investments and human resources development would undergo dramatic changes once the transformation process that has been set in motion picks up momentum and reaches a reasonable destination.

Apart from moving with the market forces and adjusting to the competitive environment, Indian banking has one more important dimension, that of societal responsibility which it has to carry irrespective of whatever pressures it may likely to encounter in its journey towards marketisation. Indian banking, hitherto coasting along serenely turbulent seas in the forms of fierce competition. Market mechanism is expected to play a major role in banking system also and only a professional outfit will be able to face the onslaught, arising out of liberalisation and globalisation.

The area of challenges that lie ahead for Indian banks would be: restructuring/reorganisation of bank’s set up towards thinner and leaner administrative offices and close down/merger of unviable branches particularly in metropolitan and urban centres, forging of strategic alliances to take advantage of the geographical spread of branch network of banks; type of customer concentration with a view to developing niche markets suitable for each bank consistent with its ethos and culture; develop products and services in competitive environment to have better customer relationship, consumerisation of
banking activities, to make diversification of product services and upgradation of technology to cope up with market environment for meeting perceived satisfaction of customer utilities; constant improvement in business structure with spontaneous responses through emerging needs and professionalisation and management structures to be dynamically responsive to the business opportunities created in the environment.

The future of the Indian banking system would be for the performing banks. The banks which are unable to keep pace with changed times and respond quickly to fast changes would be left behind in the race or just vanish. The banks have to develop and sharpen their skills to scan constantly the environmental changes and in turn adjust their strategies with minimum time to keep their existence. Quick responses to the changed environment will be the watchword for improving and sustaining the profits of the banks. The proliferation of the private sector banks, mutual funds, non banking service companies, leasing and hire purchase companies, merchant banking subsidiaries, subsidiaries for housing finance etc., are going to put tremendous pressure on the existing business levels of the banks. The challenges of the change emerging in the banking sector reforms make banks to be constantly alert for converting opportunities into business proposition and at the same time to guard against threats emanating from environmental conditions. To face the challenges in an effective and efficient manner banks will have to strive to achieve their full potential in pursuit of optimising their profits. With the full potentialities of the banking sector being realised under competitive market conditions, the best will not only survive but also become trend setters for other banks for emulation in efficiency, productivity and profitability of the banking system.
In the dynamic and ever-ending horizon of banking, especially in our country where enormous responsibility has been devoted on the banking system to promote socio-economic development, and where the social change is taking place at a rather faster pace and people's expectations from the banking industry have been ever growing, there will be no room for complacency. The challenges before the banking industry are indeed formidable, and it has to respond to them in a bold, creative and innovative manner to usher in the 21st century.