CHAPTER 2
REVIEW OF LITERATURE

Financial Appraisal:

“Financial Appraisal is a scientific evaluation of profitability and financial strength of any business concern”.\(^1\) According to accounting point of view, financial statements are prepared by a business enterprise at the end of every financial year. According to Howard and Upton, “Financial Statements are end products of financial accounting”.\(^2\) They are capsulized periodical reports of financial and operating data accumulated by a firm in its books of accounts-the general ledger. According to Kennedy and McMillan “Financial Statement Analysis attempts to unveil the meaning and significance of the items composed in Profit and Loss Account and Balance Sheet. So as to assist the management in the formation of sound operating Financial Policies”.\(^3\)

For proper interpretation of financial statement, users must have a basic understanding of the conceptual framework and principles underlying their preparation. Otherwise users will not recognize the limits of financial statements. The financial statement analysis facilitates a sufficient guideline about the behavior of financial variables for measuring the performance of different units in the industry; it also facilitates to indicate the current scenario of improvement in the organization.

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An academic study on the financial performance of the nationalized banking sector in India is very important and pertinent in the context of its structural existence. Before taking up such an exercise, an attempt is made in this section to present a review of the available studies in the relevant area. Organized or formal research in banking and related areas is of recent origin in India. The research studies conducted in this field relate mostly to institutional, functional and developmental activities of bank.

O.B. Sayeed in his Ph.D. research examined the correlation of organizational health productivity and effectiveness in the State Bank of India. The study is related to productivity and effectiveness. It is focused on the psychological aspect. There is neither a single comprehensive study on “Critical Evaluation of Indian Banking Sector (with reference to Private Sector and Public Sector Banks)” (1998-99 to 2002-03) nor any attempt has been made to analyze contents of its profitability, productivity and financial efficiency after the new generated private banks arrived. Hence present study is a humble effort to bridge the gap in the existing literature & will be benefited to the society.

The study conducted by O. B. Sayeed is based on human factor. It is a psychological study which shows the correlation between organizational health productivity and effectiveness in State Bank of India.

Mathur in his book 'Public Sector Banks in India’s Economy - A Case Study of State Bank of India' has evaluated the role of the public sector banks as an instrument for the rapid growth of the Indian economy. In the process of analyzing that role he has made a thorough study of the working of the State Bank of India and its seven subsidiaries.

Mathur in his book has tried to evaluate the role of SBI (public sector banks) for the growth of Indian economy. According to him there is a great role of public sector banks in the development of the economy.

Divatia and Venkatachalam in their study of operational efficiency and profitability of banks proposed to create a composite index, which would explore certain indicators that would suitably represent varied aspects of banks performance. They recognized the problems in creating such a composite index. The indicators chosen for the study were divided into three parts viz. (a) Operational efficiency in terms of productivity (b) Operational efficiency in terms of social objectives and (c) Profitability.

Divatia and Venkatachalam in their study try to make some specific parameters that would represent the various aspects of bank performance. For this purpose he has selected some of the indicators like productivity, profitability and social objectives.

The Committee on the Functioning of Public Sector Banks appointed by the Reserve Bank of India in 1977 has made a broad evaluation of the performance of

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Public sector banks in the country covering the spheres of branch expansion, deposit mobilization, credit disbursal, priority sector lending, efficiency, management - employee relations and so on and made recommendations to ensure improvement in the efficiency of their operations and to restore their financial health. The Committee made a pragmatic evaluation of the actual performance and functioning of the public sector banks during the period 1969 to 1977. It collected data from banks, bank staff, other financial institutions, commercial associations and so on.

The committee appointed by Reserve Bank of India did her work on different aspects covering the spheres like branch expansion, deposit mobilization, management – employee relations and so on and make her recommendations to improve the efficiency of the working of the employee. It did not work on the financial aspects.

Shah in various papers discussed bank profitability and productivity. He disapproved the attitudes of banks that higher profitability can result from increased spread and that innovations have a limited role. He emphasized also on reduction of costs, creation of a team spirit, improvement in the management for improving bank profitability and productivity.

This study denied the attitude of the bank that innovations have limited role to make higher profitability. He also differ from the bank’s view that increased spread could earn good profits but he emphasized on cost reduction, team spirit etc. to improve profits and productivity.

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Varde and Singh\(^9\) in a study of profitability of commercial banks over a period of fifteen years gave consideration to two types of factors that affect interest rate levels, i.e., external factors like monetary policy, fiscal policy, interest rate policy etc. and internal factors including operational and managerial efficiency of individual banks. This study shows that profitability is affected by external as well as internal factors which include different types of policies for the development of economic growth as declared by RBI from time to time and managerial efficiency of the bank.

Agarwall\(^10\) in his book 'Management of Nationalized Commercial Banks in India with Reference to their Social obligations' has assessed the performance of nationalized banks in discharging the various social obligations. There being no absolute line of measurement in this regard, an effort has been made to evaluate the performance of the nationalized banks in discharging the various social obligations on the basis of a comparison with the performance of other bank groups. For the assessment of the individual performance, the line of assessment adopted was the average performance of all the nationalized banks.

In his study H. N. Agarwall tries to evaluate the performance of the bank with reference to their social responsibilities. For this purpose there was no actual parameters was set but the average performance of all the nationalized banks was taken. In this study the financial aspects was ignored.


\(^10\) Agarwall. H.N., Management of Nationalized Commercial Banks in India with Reference to their Social Obligations, Inter-India Publications, Delhi, 1979.
Seshadri\textsuperscript{11} in her book 'Banks since Nationalization' has analyzed the achievements of the nationalized banks with those that were left in the private sector. The progress achieved by these banks in the sphere of branches, deposits, advances etc. were analyzed with secondary data available from various banks, the Reserve Bank of India and so on. The efficiency and profitability of the nationalized banks too were analyzed. Agarwall\textsuperscript{12} in his book 'Commercial Banking in India after Nationalization- A Study of their Policies and Progress' analyzed the performance of commercial banks in India after nationalization. It was neither an empirical study nor the study of a particular aspect of commercial banking. It was only a study of banking development in the light of nationalization. Annual reports of banks, periodical reports of the Reserve Bank of India, personal discussion with bank officials and so on were the major sources relied on for the study. Jain\textsuperscript{13} in his research study has made an attempt to examine and analyze the funds have been acquired and utilized by banks since nationalization to achieve the stipulated objectives. Various published sources such as The Reserve Bank of India Bulletins, Statistical Tables relating to banks in India, Trends and Progress of Banking in India, Report on Currency and Finance, Annual reports of nationalized banks, Indian Banks Association publications etc. provided the required data for the study. Chawla\textsuperscript{14} in his book 'Nationalization and Growth of Indian Banking' has investigated the

\textsuperscript{11} Seshadri, I.J.H., Banks since Nationalization, Birla Institute of Scientific Research, New Delhi, 1981.
\textsuperscript{13} Jain, Mohinder Kumar, Funds Management in selected Nationalized Banks, Ph.D. Thesis, Kurukshetra University, 1984.
development and growth of banking activities in India with particular reference to the state of Punjab. The analysis was carried out with the help of different types of growth rates; indices of changes were also calculated. Certain statistical tools like co-efficient of variation and rank correlation too were used in the study.

The study conducted by the above writers/researcher reflects the growth of banks after nationalization. From where the funds have been acquired by the banks and where they were utilized to achieve the stipulated targets. For this purpose the secondary data was used and different types of statistical tools like co-efficient of variation and rank correlation were also used. None of the writer/researcher tries to show financial health of the banks under study.

Angadi\textsuperscript{15} in his paper puts forth a proposition that operational efficiency of a bank is inversely related to the responsiveness of operating costs to the changes in output. The ratio of proportionate change in operating cost due to proportionate change in output is treated as a measure of responsiveness of operating costs. Recognizing the external and internal factors that affect productivity, he expressed the view that operating cost measures most of them. In his opinion efficiency is an important yardstick for measuring bank performance. While commenting on the operational efficiency of banks the Chakravarthy Committee\textsuperscript{16} expressed their view that the concept of operational efficiency of commercial banks in India is associated with such diverse aspects of its operations as cost effectiveness, profitability, customer services, priority sector lending,

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mobilization of deposits and deployment of credit. Operational efficiency in banks has attained a wider connotation. The committee again observed that there is a need to introduce some element of price competition among banks. The ‘controlled competition’ was recommended by the committee in this regard.

These statements give emphasis to the operating cost. According to it efficiency of a bank is affected by operating cost, customer services etc. It takes only efficiency as an important yardstick for measuring bank’s performance, it does not take in to account the financial area of the bank to measure its performance.

Prasad in his study examined the entire activities and operations of the State Bank of India with particular emphasis on the various aspects viz. deposits, growth, credit expansion, branch expansion, merchant banking and so on. The study also made an appraisal of the performance of the entire nationalized commercial banks.

This study although try to examine the entire activities and operations of the State Bank of India but fail to examine the financial activities of the bank.

Hussain in 'A Study of New Roles of the Public Sector Commercial Banking in India' analyses the major problems faced by the public sector banks in India. As national public sector institutions, they are required to face new challenges. How can the new developmental, organizational, managerial and functional problems be solved? How best can they serve the priority sectors for economic regeneration and what should be

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the strategy for dynamic commercial banking policy in India - were some of the basic problems discussed in the book.

In this statement the author discussed the new challenges faced by public sector banks like developmental, organizational, managerial and functional problems. Here the author did not discuss about financial problems (performance) faced by the banks.

Ojha\(^{19}\) in his paper gave a detailed description of the concepts, productivity and profitability of public sector banks and outlined the difficulty of measuring those concepts. He studied these aspects with a number of indicators and outlined that the profitability of the banks has not been improving despite increases in productivity. On an international comparison our public sector banks showed very low level of productivity and profitability. He emphasized that a more comprehensive and multi-dimensional approach has to be adopted to increase productivity and profitability.

In this paper the emphasis is given on productivity and profitability. Here this statement outlined that profitability has not improved according to the productivity. He suggested that a more comprehensive and multi-dimensional approach should be adopted to increase productivity and profitability.

Varde\(^{20}\) in his conference paper distinguished between effectiveness, efficiency and productivity. He classified the efficiency of a bank into four categories, i.e., (1) manpower efficiency (2) operational efficiency (3) commercial efficiency and (4) efficiency of ancillary business. Efficiency under each category can be measured

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separately, and measure of efficiency can be considered as productivity.

In his paper the researcher emphasize only on the aspect of efficiency in different ways like manpower, operational, commercial and ancillary business; there is no any discussion about financial efficiency at all.

R.Ravimohan\textsuperscript{21} in his article on making Indian banks more competitive in the global environment suggests that the areas one would prioritize to engage the attention of the management of the Indian banks would be -:

1. Increasing the productivity of the staff of the Indian banks,
2. Enhancing the technological delivery capability of the Indian banking system,
3. Adopting more vigil on assets quality,
4. Improving the coverage of services through product innovation and,
5. Taking a more objective view on lending, costing & recovery of advances.

The Narasimham Committee\textsuperscript{22} observed that the productivity and efficiency of banking system have suffered, its profitability has been eroded and its portfolio quality has deteriorated. Customer service has been poor, work technology out dated and transaction costs are high. In the process several banks have themselves become weak financially and unable to meet the challenges of a competitive environment. The committee added that branch is the cutting edge of banking industry where there is direct interface with the depositor and credit customer. It is the functioning of the branch that shows the measurement of efficiency in respect of customer services.


Banks should therefore need to give attention to the organization, staffing, work technology, work culture and attitude of bank staff.

R. Ravi Mohan and the Narasimham committee observed that the banking system have suffered from various types of problems like poor customer service, outdated work technology, high transaction costs etc. The committee added that to open that branch is only a medium to interact with the customer. For the smooth working and proper operations the banks should give proper attention on its working style as well as the attitude of the bank staff.

Bose in her study on 'Trend and Progress of Banking in India' has tried to analyze the connection between banking and economic development during the first three five year plan periods. The problem was studied under two aspects, viz. the impact that economic development had on banking in India and secondly, the role the banking system could play in economic development. To study the problem, she analyzed the changes in the volume, character and composition of bank deposits and loans.

This statement tries to show the interrelationship between economic development and banking and the impact of these two aspects on each other, but left behind the financial relationship and impact on banking as well as on economic development.

Amandeep attempted to estimate profit and profitability of Indian Nationalized banks and to study the impact of priority sector lending, credit policies, geographical

expansion, industrial sickness, competition, deposit composition, establishment expenses, ancillary income, spread and burden on bank profitability. For this purpose, trend analysis, ratio analysis and regression analysis were used. Here the researcher, with the help of different tools like trend analysis, ratio analysis and regression analysis try to estimate the profit and profitability of banks and studied the impact of different aspects on it, but did not considered the financial aspect of the banks.

**Jagwant**\(^{25}\) in his book *Indian Banking Industry: Growth and Trends in Productivity'* examines the trends in productivity in public sector banks excluding the six banks nationalized in 1980. He has analyzed the trends and changes in productivity, with particular emphasis on labor productivity and branch productivity. The trends, changes and differentials in productivity in different banks and bank groups are examined in detail based on seventeen indicators. The main source of data for the study was Financial Analysis of Banks published by Indian Banks Association and Annual reports of banks.

In this statement the main source of data for the study was Financial Analysis of Banks published by Indian Banks Association and Annual reports of banks for the purpose of analyzing the trends and changes in productivity with reference to labor productivity and branch productivity but ignore the financial productivity of the bank.

**Sreedharan**\(^{26}\) analyzed the performances of Indian baking industry for the year 1995

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and 1996. The analytical exercise was carried out with reference to net worth, liabilities, assets, income, expenditure, profitability and efficiency of different groups in the banking system. It was revealed that by and large, the public sector banks lagged far behind the foreign and private sector banks in respect of all the variables analyzed. The researcher suggested that the programs and policies regarding commercial banks should be redefined in such a way that there exist a co-ordination between the commercial viability and social responsibility of the public sector banks. Here the exercise was carried out to analyze the performance of different banks with reference to different aspects of banking system and the result was that the public sector banks are much poor in comparison to foreign and private sector banks. It tries to touch the financial aspects of the banking system.

C. Rangarajan\(^\text{27}\) in an evaluation of the Indian experience in financial sector reforms published in the RBI Bulletin gives stress to the view that the sustained improvement of the economic activity and growth is greatly enhanced by the existence of a financial system developed in terms of both operational & allocational efficiency in mobilizing savings and in channelizing them among competing demands. This statement clarifies that improvement and growth of the economic activity is due to a sound financial system. This statement, therefore, try to state that growth of economy can be achieved only through a sound financial system that can mobilize the savings and channelize them among the competitive market.

Jayanthi Jain & K. Balachandran in an article opines, with the liberalization of the economy in general and the financial sector in particular, the risk dimensions facing the Indian commercial banks have multiplied. Banks which were familiar only with the credit risk relating to non-payment earlier are now facing multi financial risk in the form of credit risk relating to non-payment & non-performing risks, interest rate risks, maturity gap risks and technology risks. M. R. Tambe in an article on the role of commercial banks in the new economic set up states that in order to cope with the new challenges, the commercial banks will have to abandon their traditional work style and adopt new dynamic work culture. The banks must also guard themselves against the situation of excessive risk and competition. Bimal Jalan in his keynote address to the economist's conference points out that excessive risk aversion can have adverse effects on the profitability of the banking system as it will restrict the credit growth in the economy.

The above articles say that with the liberalization of the economy, especially in financial sector, banks are facing multi-dimensional risks. It added that if the banks want to sustain in the market they will have to abandon their traditional work style and adopt new dynamic work culture.

30. Bimal Jalan, “Towards a more Vibrant Banking System”, Yojana vol.43 No. 3 (march1999) p.5-9
V.K. Bhatasana\textsuperscript{31} studied the appraisal of financial performance of State Bank of India (1980 – 1995) particularly productivity and profitability of State Bank of India during the study period, he observed adequacy of capital fund, growth in deposits, branch expansion in rural area and less borrowing from Reserve Bank of India. In this study period of State Bank of India improved the productivity & profitability of State Bank of India among public sector banks. This study shows that State Bank of India has improved the productivity and profitability among other public sector banks in terms of capital fund, growth in deposits and branch expansion.

Radha T\textsuperscript{32} in her Ph. D Thesis, titled, “Impact of banking sector reforms on the performance of commercial Banks in India” in Andhra University, Visakhapatnam, was to critically evaluate the impact of Banking Sector Reforms on the performance of Commercial Banks in India. In this Study, she analyze the magnitude of deposits and borrowings, and trends in branch expansion, advances and investments, trends of income and expenditure and also studied the magnitude of achievements in priority sector advances, capital adequacy, CD ratio, staff position in different bank groups and individual banks within the group. This study covered the period 1989-90 to 1998-99. Simple statistical techniques like percentages and growth rates were used in this study. Major findings of the study are..: (i) Total Deposits of all Commercial Banks put together may be divided as SBI (21.5 per cent), Associate Banks (6.6 per cent), Nationalized


Banks (58.6 per cent), Private Banks (6.9 per cent) and Foreign Banks (6.3 per cent) respectively, (ii) In the total borrowings of SCBs, Nationalized banks, on an average, accounted for 39.42 per cent followed with 22.77 per cent by Foreign Banks, 23.54 per cent by SBI, 7.76 per cent by Private Banks and 3.47 percent by associate banks, (iii) In Branch expansion, Indian Private Sector Banks, registered 21.36 per cent growth rate which is highest amongst SCBs, during the study period, followed by Foreign Banks with 16.96 per cent, Associate Banks with 12.77 per cent, Nationalized Banks with 11.36 per cent, SBI with 6.23 per cent, (iv) Total investments of Commercial Banks in India increased to ₹ 346271 Crore in 1998-99 from ₹ 97,199 Crore in 1989-90, (v) Priority Sector advances as proportion of net bank credit after exceeding the target of 40 percent in 1991 has been continuously falling short of target up to 1999, (vi) Foreign Banks in India as a group achieved highest capital adequacy ratio among all groups of SCBs, (vii) Among all Indian banking groups, Indian private sector banks recorded highest CD ratio with 67.06 per cent.

In this statement some of the financial aspects of the bank like deposits, advances, income and expenditure is taken to evaluate the impact of banking sector reforms on the performance of commercial banks in India. Total deposits and borrowings of SBI were high in comparison to other banks.

**SBI Research Department**

“Performance analysis of 27 Public sector banks”

Economic Research Department of State Bank of India, is to analyze the Performance of 27 Public Sector Banks for the year 1999-2000 Vis-a-Vis the preceding year.

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Selecting four different categories of indicator – Business Performance, Efficiency, Vulnerability and labor productivity indicators carried out the analysis. Altogether 39 indicators were selected for this purpose. For the purpose of analysis, 27 PSBs disaggregated into four groups, namely, the SBI, ABs (7), the SBGs (8) and the NBs (19).

During 1999 - 2000, the PSBs exhibited better show in terms of several parameters studied above. Nevertheless, the problems of NPAs and capital adequacy remain to be taken care of. Researcher in this paper has opinioned that greater operational flexibility and functional autonomy should be given to PSBs especially to strengthen their capital base. Further, they felt that since net interest margin will continue to remain compressed in a deregulated interest rate regime, a lot of effect would have to be made to mitigate this through generation of non-interest income. As far as NPAs are concerned, they believe that, the outdated laws and regulations that pose hindrance to banks in getting back their dues need to be suitably amended.

Here the study clarifies the problem of NPA & capital adequacy norms to be taken care of. To recover NPA the outdated laws and rules & regulations must be changed. In this study the financial performance of the bank is ignored.

Prashanta Athma34 “Performance of Public Sector Banks – A Case Study of State Bank of Hyderabad” made an attempt to evaluate the performance of Public Sector Commercial Banks with special emphasis on State Bank of Hyderabad. The period of the study for evaluation of performance is from 1980 to 1993-94, a little more than a

decade. In this study, Athma outlined the Growth and Progress of Commercial Banking in India and analyzed the trends in deposits, various components of profits of SBH, examined the trends in Asset structure, evaluated the level of customer satisfaction and compared the performance of SBH with other PSBs, Associate Banks of SBI and SBI. Statistical techniques like Ratios, Percentages, Compound Annual rate of growth and averages are computed for the purpose of meaningful comparison and analysis. The major findings of this study are that since nationalization, the progress of banking in India has been very impressive. All three types of Deposits have continuously grown during the study period, though the rate of growth was highest in fixed deposits. A comparison of SBH performance in respect of resource mobilization with other banks showed that the average growth of deposits of SBH is higher than any other bank group. Profits of SBH showed an increasing trend indicating a more than proportionate increase in spread than in burden. Finally, majority of the customers have given a very positive opinion about the various statements relating to counter service offered by SBH.

This study made an attempt to show the growth and progress of State Bank of Hyderabad. Here the researcher take some of the aspects of financial nature like deposits, profit, assets and compared with other PSBs, associate banks of SBI and SBI. The results were good in case of deposits as well as FDs. There was also a positive response with reference to customer service.

R. Narasimhan\textsuperscript{35} in a study relating to the public sector banks points out the “true reasons” for the crisis in public sector banks. These are as follows-

\textsuperscript{35} Narasimhan R., “Public Sector Banks in a Pressure Cooker”, The Hindu, 29 march 2000.
a) Problems encountered by the banking industry globally and the response by the central bank,
b) Prudential norms introduced by the RBI in 1993 and their impact on the banking system in India, and
c) The transformation of banks and the banking business due to forces unleashed by the IT revolution.

In this statement it is told that banking system is suffering with many problems, some of them related to global competition and the others are due to the norms of the RBI. This study shows the above reasons for lagging behind the banking system as a whole.

Balasubramaniam\textsuperscript{36} in “Non-performing assets and profitability of commercial banks in India: assessment and emerging issues” said that the level of NPAs is high with all banks currently and the banks would be expected to bring down their NPA. This can be achieved by good credit appraisal procedures, effective internal control systems along with their efforts to improve asset quality in their balance sheets. However, maintaining profitability is a challenge to commercial banks especially in a highly competitive era and opening up of banking business to NBFC and foreign banks in general.

This statement throws light basically on high NPA, and because of high NPA the profitability of the banks is deteriorated. Another aspect for the less profitability is competition and to open the banking business to NBFC & foreign banks.

Rao\textsuperscript{37} concluded that the international regulations are forcing the Indian banks to adopt

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better operational strategies and upgrade the skills. The system requires new technologies, well-guarded risk and credit appraisal system, treasury management, product diversification, internal control, external regulation as well as skilled human resources to achieve the international excellence and to face the global challenges.

Muniappan\textsuperscript{38} focused on two areas - firstly, challenges faced by the Indian banks and secondly, the management of these challenges. Every aspect of the banking industry, be it profitability, NPA management, customer service, risk management, HRD etc., has to undergo the process of transformation of aligning with the international best practices. He concluded that the future of Indian banking system needs a long-term strategy, which should cover areas like structural aspects, business strategies, prudential control systems, integration of markets, technology issues, credit delivery mechanism and information sharing, etc. Vashisht\textsuperscript{39} examined the latest international developments, which has distorted the environment in which commercial banks drive. Globalization has expanded economic interdependence and interaction of countries deeply. Under the administration of globalized environment, the financial performance of the commercial banks has altered and the commercial banks will face new challenges and opportunities in the future.

The above statements focused on international rules & regulations/best practices. To follow these changes or in other words to achieve the international excellence and to face the global challenges the banking industry is required to make changes in every


aspect of the banking industry, be it profitability, NPA management, customer service, new technology, external regulations, HRD etc. But these statements do not focus on financial aspects of banking industry.

A. P. J. Abdul Kalam\textsuperscript{40} in his address to the Banker’s Conference discussed the dynamics of banking in relation to national development. He is happy that fortunately India is blessed with two resources – natural and human, what is needed today is a proactive partnership of bankers in the national development missions. He concludes by saying one of the very important ingredients for success of the vision of transforming India in to a developed nation by 2020 is the evolution of creative leaders. The higher the proportion of creative leaders in the banking sector, the higher the potential success of vision of developed India.

This statement gives focus on creative leaders. It added that the higher the proportion of creative leaders in the banking sector, the higher the potential success of vision of developed India. It does not discuss anything about financial performance of the banks.

Dr. Ramchandra Reddy B. and Dr. Yuvaraja Reddy\textsuperscript{41} In the study entitled “Financial Performance of State Bank of India: An Analysis”. The researchers made an attempt to study the financial performance of State Bank of India. The study focuses on the responsibility areas like deposit mobilization, credit deployment, non-performing assets, profitability and productivity. The study found that, in the changing banking scenario, the


State Bank of India is one of the leading banks which welcomes the radical changes and make the organization fit for the changes without much difficulty.

In this study the researcher tries to analyze the financial performance of SBI. Here the study comprise only the responsibility area of finance like deposit mobilization, NPA, profitability etc. under these scenario SBI makes it comfortable with the changes.

Singla H.K.\textsuperscript{42} “financial performance of banks in India” has examined that how financial management plays a crucial role in the growth of banking. It is concerned with examining the profitability position of the selected sixteen banks of banker index for a period of six years (2001-06). The study reveals that the profitability position was reasonable during the period of study when compared with the previous years. Strong capital position and balance sheet place, Banks in better position to deal with and absorb the economic constant over a period of time.

Although in this statement, the financial performance of the bank has examined but it is concerned only with the profitability aspect of the bank. The study shows that the profitability position was good during the period of study. It neglects the other essential aspects of finance.

Raju D.N.M.\textsuperscript{43} conducted study on “Evaluation of the performance of State Bank of India with special reference to Non–Performing Assets (NPAs)” The study reveals that magnitude of NPA has a direct impact on the bank’s profitability as legally they are not


allowed to book income and on same time banks are forced to make provision on such assets as per RBI guidelines. The focus of the study is to evaluate the financial and operating performance of State Bank of India in the light of changing conditions emerging out of the implementation of financial sector reforms. Another aspect covered in depth is the changing picture of non-performing assets (NPAs) of the bank. The study brings out a number of suggestions for improving the performance of SBI; strengthening the recovery position of NPAs, prevention and reduction of NPAs.

This study is related with the performance of SBI with special reference to NPA. The study reveals that NPA affect the profitability. The study takes only NPA as a parameter and neglects the other aspects to judge the financial profitability of the bank.

Uppal\(^44\) in his research paper evaluated the performance of public, private and foreign banks in India and analyzed the target achievement by them during 2006-07. He found that priority sector advances of public and private sector banks were higher than foreign banks. He observed that public sector banks were unable to achieve the target of priority sector, while private sector banks have achieved the target. Private sector banks could not achieve the target for weaker section. Foreign banks could achieve the targets for priority sector, small scale industries sector and export sector. He further, found that NPAs of public sector banks was highest followed by private sector banks and foreign banks. Main reason for more NPAs in public and private sector banks was found to be more NPAs in agriculture sector. He examined various issues related to priority sector like, low profitability, more NPAs, Government interference, high transaction costs etc.

He also suggested various strategies to overcome these issues.

This study shows that the NPAs of public sector banks were highest in comparison to private sector banks and foreign banks. The main reason for high NPA was agriculture sector.

Uppal\textsuperscript{45} analyzed the performance of major banks in terms of productivity and profitability in the pre and post e-banking period and concluded that performance of all the banks under study is much better in post-e-banking period and further foreign banks are at the top position, whereas the performance of the public sector banks is comparatively very poor.

This statement takes pre & post e-banking period as the key factor and analyzed the banks performance in this reference. It concludes that the performance of the public sector banks was very poor.

Gupta\textsuperscript{46} in her study A Comparative Study of Non-Performing Assets of SBI and Associates & Other Public Sector Banks had concluded that each bank should have its own independence credit rating agency which should evaluate the financial capacity of the borrower before than credit facility. An effective committee can be formed for management of NPA comprising of financial experts who have wide knowledge in this field. Banks can appoint professionals to identify the genuine borrowers & can analyze their profile. NPA can be considered as a crucial rating factor for any bank; it should


continuously monitor the borrowers a/c to prevent NPA. The credit rating agencies should regularly evaluate the financial condition of the clients. Special accounts should be made of the clients where monthly loan concentration report should be made.

This study tries to touch the financial aspect (NPA) of State Bank of India. It suggests that before giving loan banks should analyze the profile of the borrowers to prevent NPA. This study talks about only a single aspect of financial performance and left behind many of the essential aspects of financial performance of the bank.

**Gudadhe** discussed about the customer perception towards products and services of State Bank of India. The article discussed about the SBI Bank Group wise perception and satisfaction level of customers, the availability and use of products and services given by the bank. The author concluded by stating that the customer expect higher quality services from banks which, if fulfilled, could result in significantly improved customer satisfaction levels. 99.27% customers expressed their satisfaction towards the services.

The statement discuss about customer satisfaction towards the products and services provided by SBI. 99.27% customers are satisfied by the services provided by the bank. It did not talk about financial performance of the bank.

**Conclusion**: By studying the above statements/researches/studies it is clear that there are few of the researchers who take only one or two aspects of financial nature with

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reference to SBI, but there is neither a single comprehensive study nor any attempt has been made to analyze all the contents as deposit mobilization, lending policies, investment pattern, profitability aspects, capital fund, deposits, advances, net profit, investments, fixed assets etc. of State Bank of India. Hence the present study is a humble effort to bridge the gap in the existing study & literature. That is why this researcher takes the topic as "Financial Appraisal of State Bank of India" because there is hardly any study on this topic.