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# CHAPTER 7 : CONCLUSION AND FINDINGS

## 7.1 INTRODUCTION

In the Economy of any country, Banks play a very crucial and dynamic role in the development of economic life. They are important constituent of the money market and their demand deposits serve as money in the modern community. They have control over a considerable part of the stock of money. Banks are the pivots of modern commerce. Industrial innovations and business expansions become possible through finance provided by banks. Banks mobilize the dormant capital of the country for productivity purposes. Economic advancement is sustained and enhanced by the bank.

Bank as a development agency are the source of hope and aspirations of the masses. The banking system is one of the few institutions that impinge on economy and affect its performances better or worse. Schumpeter regarded banking system as one of the two essentials (the other being entrepreneurship) in the whole process of economic development [1]

As an economic institution, banks are supposed to be more directly and positively related to the performance of the economy than most non-economic institutions are. However, the positive impact of banks on economic growth can be offset by factors like: unfavorable resources, endowment, population that grows either too slowly or too rapidly or inept government policies. As it is well known, one of the essential inputs required for development is the provision of adequate financial resources.

In course of time the banks can operate a network of branches spread over the country. Such wide geographical coverage would make different sections of the economy familiar with the services which the banks provide and inspire the confidence in the financial assets like bank deposits.

The present study has been made covering the period of 5 consecutive years from 2006 to 2010.

It is the study of India's apex bank State Bank of India. Performance appraisal of State Bank of India is a contemporary necessity for measuring the impact of banking sector reforms, which is efforted in present study. It is carried out for the following objectives.

## 7.2 OBJECTIVES:

1. To analyze profitability performance of sample bank.
2. To measure branch and employee productivity performance of sample bank.
3. To study the trend of financial performance of sample bank.
4. To make comparative study of the trend of deposits and advances of sample bank.
5. To suggest an appropriate strategy for improvement of financial performance of sample bank.

## 7.3 TRENDS ANALYSIS AND PROFITABILITY PERFORMANCE:

### 7.3.1 TRENDS OF INCOMES:

During our study period, from the table 4.1, we can derive that the Interest and Non Interest Income of SBI was Rs. 43186.61 crores at the end of the base year

2005-06 which showed an upward trend during the study period and reached to Rs. 85962.07 crores at the end of the study period 2009-10. During specified period we found that hike in income was 2008-09 and 2009-10 is very good. Index on the base year revealed the fact that the income of the unit was almost 2 times at the end of the study period of the five years. It showed favorable position of the unit. It revealed the fact that the unit might have expanded network, launched new service products, which attracted clients. In short, overall income performance improved during the study period. Percentage increase over previous year showed fluctuation trend during the study period. It ranged between 4.81 percent in 2006-07 to 27.36 percent in 2007-08. It was 32.67 percent in 2008-09 and 12.40 percent in the subsequent year i.e. 2009-10. which showed the fluctuating trends. From the data, we find out that percentage increase in the year 2007 -08 and in the year 2008-09 showed good growth of the income. But afterward it became slow growth rate in the subsequent year.

### 7.3.2 TRENDS OF INTEREST EARNED:

Table 4.2 and chart 4.2 present the data related to trends of interest earned, its index on the base year, percentage increase over previous year and interest earned as percentage of total income of State Bank of India for the period from 2005-06 to 2009-10. Interest earned is the part of the total income earned. Any increase in interest earned indicates increase in lending, increase in rate of interest on lending, launching of new lending products, etc.

Table 4.2 clearly shows the trends of Interest Earned of State Bank of India during our study period. We found that Interest earned of SBI was Rs.35794.93 crores in the base year 2005-06, which grown to Rs. 79993.92 crores at the end of the study period, i.e. 2009-10, which was almost 2.23 fold over the base year. Percentage increase over previous year remarked little fluctuating trend during the study period. It ranged between 10.33 percent in 2006-07 to 30.31 percent in 2008-09. Interest earned as percentage of total income also showed little fluctuating trend during the study period. It ranged between 82.89 percent in 2005-06 to 93.06 percent in 2009-10. It indicated aggregate 86.03 percent of the total income earned, was out of interest earned.

### 7.3.3 TRENDS OF NON-INTEREST INCOME

Table 4.3 and chart 4.3 shows the data of trends of Non-interest income, its index on the base year, percentage increase over previous year and non-interest income as percentage of total income of SBI for the period from 2005-06 to 2009-10. Non-interest income is the part of the total income earned. Non-interest income is also known as 'other income'. There are two components of other income or non-interest income: fee and treasury income. Usually, around 70 % of the total is fee income. Any increase in non-interest income indicates decrease in lending, decrease in rate of interest on lending, decrease in interest earned, etc. and vice-versa.

Non-interest income of SBI was Rs. 7388.68 crores in 2005-06, which decreased to Rs. 6765.26 crores at the end of 2006-07. Then It rose to Rs. 8694.93 crores in 2007-09 and also it increased to Rs. 14968.15 crores in 2009-10. It grown to more than 2 times over base year in 2009-10. Percentage increase over previous year remarked fluctuating trend during the study period. It ranged between -8.44 percent in 2005-06 to 45.96 percent in 2008-09. Non-interest income as percentage of total income also remarked fluctuating trend during the study period. It ranged between 14.95 percent in 2007-08 to 17.41 percent in 2009-10. It indicates that aggregate 16.23 percent of the total income is out of non-interest income source, which indicates favorable financial position of the unit.

### 7.3.4 TRENDS OF SPREAD:

Spread of SBI was Rs. 15635.64 crores in 2005-06. It showed upward movement during the study period and reached to Rs. 23671.44 crores at the end of the study period, 2009-10 except the year where it decreased to 15058.20 crores in 2006-07. Its index on the base year varied from 100 percent to 151.39 percent during the study period. Percentage increase over previous year registered upward trend except the year 2006-07. It decreased by 3.69 percent in 2006-07 compared to its previous year 2005-06. It increased by 13.04 percent, in 2007-08, by 22.63 percent in 2008-09 and by 13.41 percent in 2009-10 compared to their respective previous years.

### 7.3.5 TRENDS OF BURDEN:

Burden of SBI was Rs. 11228.97 crores in the year 2005-06, which increased in the subsequent years and reached to Rs. 14505.39 crores at the end of the study period. Index on the base year varied from 100 percent to 129.18 percent during the course of the study. In year 2006-07 and in year 2007-08, it decreased by 6.52 percent and 1.94 percent compared to its previous years 2005-06 and year 2006-07 respectively. Then, it increased by 14.18 percent in 2008-09, and by 23.43 percent in last year of study period i.e. 2009-10 in comparison to their respective previous years.

### 7.3.6 TRENDS OF NET PROFIT:

Net profit of SBI was Rs. 4406.67 crores in the base year, 2005-06, which increased in 2006-07 to Rs. 4541.31 crores & showing upward trend it reached to Rs. 9166.05 crores in 2009-10. Its index on the base year varied between 100 percent in 2007-08 to 208.00 percent in 2009-10. Its net profit increased by 3.06 percent, by 48.18 percent, by 48.18 percent, by 35.55 percent, by 0.49 percent, in 2005-06, in 2006-07, in 2007-08, in 2008-09 and in 2009-10 respectively in comparison to their respective previous years. So, overall SBI showed really steady growth in net profit during the study period.

# 7.4 TRENDS OF PROFITABILITY:

Trend of profitability is the indicator of efficiency of organizational operation. Profitability is net profit as % to working fund. SBBJ proved to be the most efficient bank achieving the highest index on the base year i.e. about 478 percent at the end of the study period, while SBT, SBS proved gloomy efficiency during the study period. SBI and SBT achieved the second and the third position as efficient banks among sample banks. SBH achieved the fourth position, SBM stood at the fifth position, SBP at sixth position, SBI at seventh and SBS stood at eighth position among sample banks.

SPREAD AND NET PROFIT AS PERCENTAGE TO WORKING FUND ARE PROFITABILITY RATIOS.

The aggregate of spread as percentage to working fund was observed the highest in SBP while that of the lowest in SBT. It indicates that SBP utilized working fund efficiently for excess earning of interest over interest expended. Application of T-Test for spread as percentage to working fund resulted that calculated value was higher than critical value, which concludes that alternative hypothesis is accepted. It indicates that there is significant difference among sample banks over the study period for spread as percentage to working fund. It denotes that the ratio is not the same among sampled banks.

The aggregate of net profit as percentage to working fund was observed 1.18 percent for SBP, 0.97 percent for SBI, 0.95 percent for SBBJ, 0.94 percent for SBH, 0.87 percent for SBS, 0.83 percent for SBM, 0.80 percent for SBI and 0.73 percent for SBT. It can be observed that SBP performed well among sample banks while SBI and SBT performed poorly for earning net profit by not utilizing working fund up to its maximum stature. T-Test application for the above ratio reveals the fact that calculated value is higher than critical value which concludes that alternative hypothesis is accepted and net profit as percentage of working funds is not identical among sampled banks over the study period.

# 7.5 PRODUCTIVITY PERFORMANCE:

## 7.5.1 EMPLOYEE PRODUCTIVITY PERFORMANCE:

### INCOME PER EMPLOYEE:

Income per employee of sample banks witnessed almost bullish movement during the study period. Table 5.1 shows: Income per Employee of SBI was Rs. 0.217 crores in 2005-06. It registered upward movement during the study period and rose to Rs. 0.237 crores, Rs. 0.322 crores. Rs. 0.371 crores, and Rs. 0.429 crores in 2006-07. in 2007-08. in 2008-09 and in 2009-10 respectively. It continued moving up subsequent years of study period. Aggregate income per employee was worked out to Rs. 0.315 crores for the study period. It indicates that SBI earned Rs. 0.315 crores per employee during the study period.

Application of T-Test reveals the fact that alternative hypothesis is accepted. It indicates that income per employee is not identical among sample banks over the study period.

### EXPENDITURE PER EMPLOYEE:

Expenditure per Employee of SBI was Rs0.195 crores in 2005-06. It showed upward trend during the study period and reached to Rs. 0.383 crores at the end of the study period, 2009-10. Aggregate expenditure per employee was Rs. 0.280 crores during the study period. It indicates SBI expended Rs. 0.280 crores per employee during the study period.

Application of T-Test is resulted into acceptance of alternative hypothesis. It concludes that expenditure per employee of sample banks is not identical over the study period.

**SPREAD PER EMPLOYEE:**

Spread per Employee ratio of SBI showed upward trend during the study period, 2005-06 to 2009-10. It was worked out to Rs. 0.079 crores for the base year, 2005-06, which was increased to Rs. 0.081 crores in the year 2006-07. It reached to Rs. 0.095 crores in 2007-08, to Rs. 0.101 crores in 2008-09, and it reached to the highest point at the end of the study period to 118 crores in 2009-10. Average spread per employee worked out to Rs. 0.095 crores which indicates SBI has spread excess of interest income over interest expended Rs. 0.095 crores per employee.

Application of T-Test concludes that alternative hypothesis is accepted which indicates that spread per employee among sample banks is not the same. It also concludes that the ratio is not the same even over the study period for sample banks.

## 7.5.2 BRANCH PRODUCTIVITY PERFORMANCE:

**INCOME PER BRANCH:**

Income per Branch of SBI registered upward movement during the study period. It was Rs. 4.869 crores for the base year, 2005-06, which rose to Rs. 4.725 crores in the subsequent year, 2006-07. Then after, even it continued the growth up to the end of the study period. It reached to Rs. 5.614 crores in 2007-08, Rs. 6.628. It shows really considerable and steady growth in income per branch.

Aggregate income per branch was worked out Rs. 5.691 crores, which indicates that the bank earned Rs. 5.691 crores per branch which is the really good amount among the banks under study.

Application of T-Test concludes that alternative hypothesis is accepted for the case. It denotes that there is no similarity in income per branch among sample banks over the study period.

**EXPENDITURE PER BRANCH:**

Expenditure per Branch of SBI showed upward trend during the study period, 2005-06 to 2009-10. It was worked out to Rs. 4.210 crores for the base year 2005-06. It reached to Rs. 4.237 crores in the immediate year, 2006-07, It reached to 4.958 crore in the year 2007-08. In the year 2008-09, it showed growth to 5.837 crores which reached to Rs. 6.077 crore in the last year of study period i.e. 200-10.

The ratio indicates that the expenditure per branch increased remarkably for SBI. Aggregate income per branch was worked out to Rs. 5.064 crores, which indicates SBI incurred expenditure Rs. 5.064 crores per branch, which is the heavy expenditure in compare of income per branch for the study period.

Application of T-Test results into acceptance of alternative hypothesis, which indicates that expenditure per branch of sample banks did not remain the same over the study period.

**SPREAD PER BRANCH:**

Spread per Branch of SBI was worked out to Rs. 1.70 crores for the base year, 2005-06, which registered mixed during the study period, 2005-06 to 2009-10. It stepped down to Rs. 1.62 crores in 2006-07. Afterwards, it started moving up and reached to Rs. 1.62 crores in 2006-07. to Rs. 1.81 crores in 2008-09, At the end of the study period it reached to the peak point of the study period to Rs. 1.87 crores.

Aggregate spread per branch was worked out to Rs. 1.70 crores, which indicates that excess interest income over interest expended was Rs. 1.70 crores for SBI during the study period.

Application of T-Test results into acceptance of alternative hypothesis, which indicates spread per branch is not the same among sample banks over the study period.

# 7.6 PERFORMANCE OF DEPOSITS AND ADVANCES:

## 7.6.1 TREND OF DEPOSITS

Deposits in SBI registered upward trend during the study period. It was Rs. 380046.06 crores in the base year 2005-06 which rose to Rs. 435521.09 crores in 2006-07 to Rs. 537403.94 crores in 2007-08, to Rs. 742073.13 crores in 2008-09 and to Rs. 804116.23 crores, in end of the study period i.e. 2009-10.
Index on the base year showed that it has increased at considerably high rate during the study period and registered 2.11 times growth over the base year.
And the percentage increase over the previous year showed mixed trends from the base year to end of the period. It increases to 14.59 percentage in 2006-07 over the base year 2005-06. It continuously increased in subsequent year i.e. to 23.39 percentage in 2007-08, to 38.08 percentage in 2008-09 and it decreased to 8.36 percentage at the end of the study period.

### DEPOSITS PER EMPLOYEE:-

Deposits per employee of SBI were worked out to Rs. 1.912 crores for the base year 2006, which rose to Rs. 2.349 crores in 2007. It continued moving up during the study period and reached to Rs. 2.999 crores at the end of the year 2008. It jumped to Rs. 3.604 crores in 2009. and finally it reached to the highest point of

Rs. 4.015 crores in end year 2010 of the study period.. Aggregate of deposits per employee was worked out to Rs. 2.976 crores, which indicates that SBI collected Rs. 2.976 crores deposits per employee during the study period.

Application of T-Test concludes that alternative hypothesis is accepted. It indicates that deposits per employee are not identical among sample banks over the study period.

**DEPOSITS PER BRANCH:**

Deposits per branch of SBI registered upward movement during the study period. It was worked out to Rs. 41.265 crores for the base year 2005-06 which reached to Rs. 46.760 crores in the year 2006-07, it rose to Rs. 52.333 Crores in the year 2007-08, which continuously moved upward and reached to Rs. 64.310 in the year 2008-09. And in the last year of study period it slightly downed and reached to Rs. 63.627 Crores. Aggregate of deposits per branch was worked out to Rs. 53.659 crores for the study period.

Application of T-Test concludes that alternative hypothesis is accepted. It denotes that deposit per branch is not similar among sample banks over the study period.

## 7.6.2 TREND OF ADVANCES:

Advances of SBI registered upward movement during the study period. It was Rs. 261641.53 crores in the base year 2005-06 which rose to Rs. 337336.49 crores in 2006-07, Rs. 416768.20 crores in 2007-08, Rs. 542503.20 crores in 2008-09, and reached to the peak point of Rs. 631914.15 crores at the end of the study period, 2009-10. Index on the base year was worked out to 241.51 percent at the end of the study period, 2009-10, which indicates that advances of SBI increased by 2.40 times over its base year. And percentage increased over the previous year showed some fluctuating trends.

**ADVANCES PER EMPLOYEE:**

Advances per employee of SBI were Rs. 1.316 crores for the base year 2005-06. It showed upward movement during the study period. It reached to Rs. 1.820 crores, Rs. 2.326 crores, Rs. 2.635 crores, in the years 2006-07, 2007-08 and 2008-09 respectively. It reached to at the peak point of Rs. 3.155 crores at the end of the study period, 2009-10. Aggregate of it was worked out to Rs. 2.250 crores which indicates that SBI advances aggregately Rs. 2.250 crores during the study period.

Application of T-Test for advances per employee results into acceptance of alternative hypothesis. It is concluded that advances per employee is not the same among sample banks over the study period.

**ADVANCES PER BRANCH:**

Advances per branch of SBI were Rs. 28.408 crores for the base year, 2005-06, which registered upward movement during the study period i.e. 2006-07 to 2009-10. It reached to Rs. 36.218 crores in 2006-07, Rs. 40.585 crores in 2007-08, Rs. 47.015 crores in 2008-09, and reached to the peak point of Rs. 50.001 crores at the end of the study period, 2009-10. Aggregate of the ratio was worked out to Rs. 40.446 crores for the study period, which indicates that the bank made advances of Rs. 40.446 crores aggregately for the study period.

Application of T-Test concludes that alternative hypothesis is accepted for advances per branch. It indicates that advances per branch are not similar among sample banks over the study period.

## 7.7 OVERALL SUGGESTIONS:

1. SBI can more increase income from the interest For this, deposits should be mobilized, advances & learns should be increased and other products of advances should also be increased. The banks should concentrate on operating activities than on non-operating activities.

2. SBI is required to improve Spread as % to Working Fund ratio. For this, interest income is required to be increased.

3. SBI is required to increase aggregate net profit of the business for this, the working capital should be utilized up to its maximum stature.

4. SBI is required to decrease no. of employees for improving income per employee and expenses per employee ratio.

5. SBI is required to improve branch business activities. They should concentrate on operating activities of existing branches instead of increasing number of branches.

6. SBI is required to increase deposits and advances or decrease no. of employees and no. of branches for improving deposits per employee, advances per employee, deposits per branch and advances per branch ratios.

7. SBI is required to mobilize deposits instead of keeping them idle in banks.

## 7.8 OVERALL CONCLUSION:

Despite recapitalization by the government the overall performance of nationalized banks continued to lag behind private sector banks.

There was lax attitude of public sector banks towards profitability under the presumptions that any problem with the banks' bottom line would be automatically taken care of by the Government of India.

While playing the crucial developmental role for the economy the banking industry did not pay enough attention to its own development in terms of new management practices, new systems and procedures induction of modern technology and human resource development. The failure on this front prevented the industry from coping with the changing environment, which threw up new threats and challenges as well as opportunities, thus leaving the industry in lurch.

Despite the overall progress made by the banking system, there has been a growing concern about the operational efficiency of the system. The phenomenal transaction had led to some serious organisational and other structural problems.

While there has been explosion in the number of transactions, the work technology in banks has not changed. Whereas aspirations and expectations of the people from the banking system have increased, customer service has been affected adversely. [2] The rapid expansion of bank branches and spectacular increase in banking operations unaccompanied by proper training of staff and adoption of modern techniques of banking resulted in deteriorating customer services.

The rapid expansion of staff and accelerated promotions had diluted the quality of man power. By 1990s the cumulative effect of the excessive focus on quantitative achievements and relatively little focus on building up sound and efficient banking system in terms of earning reasonable rate of returns, attaining capital adequacy, minimizing nonperforming assets and providing efficient customer services had left many of the public sector banks unprofitable and undercapitalized by international standards.

The rapid branch expansion followed by steep increase in the volume of business handled by each branch made the banking industry too high volume high turnover industry. Where in 80 percent of work pertains to daily transactions and their processing. The man power employed in banks could not cope with this work load due to ineffective work technology and growing culture of work avoidance. This resulted in poor customer service, increase in frauds, large number of branches making losses and showing signs of stagnancy or unsatisfactory performance, etc.

The banking industry operated within the administered interest rate structure and lacked flexibility. There was no element of competition within banks. This had a deleterious impact on bank's management capabilities and innovativeness, both in areas of deposits and advances.

The rigidity of banking system paved the way for a gradual uprising of external competition from other agencies like post office, UTI, LIC, chit funds, equity market, real estate market and new instruments like CDs, CPS, etc.

The competitive efficiency of banks deteriorated with wider coverage lines of supervision and control lengthened.

The quality of credit portfolio of banks has suffered due to deficiencies in identification of borrowers, very low alternation given to market prospects and capacity of borrowers. The concern for achieving quantitative targets at macro level within the stipulated time frame, irrespective of assessed demand or potential has caused an erosion of the qualitative aspect of lending and credit delivery. It has adversely affected the viability of the lending institutions.

Banks' productivity had been reduced due to hike in wages and increasing operational cost in banks. Interest spread of banks was also under pressure due to administered rates imposed on the banking system.

The banking system has failed to gain internal strength and the decline in efficiency, productivity and profitability has resulted in deteriorating the financial health of the sector. [3]

The Indian banks are decades behind the West and Japan and the newly industrialized in computerization and mechanization. [4]

## 7.9 SUGGESTIONS:

For improving the working of the sample banks, following suggestions emerge for consideration:

**1. Reorganization of Banking Structure:**

There is a need for structural change in the organizational system of banks with a view to make it more efficient and less wasteful.

There is a need for the merging its all branches to the one roof and so that better control over the performance will be possible.

**2. Deposit Mobilization:-**

There should be freedom to banks to decide the interest rates on deposits at different centers/locations to take liberalization firm roots in the banking system.

**3. Recovery of Loans:-**

A separate cell at each district head quarter may be set up exclusively for recovery of bank dues. Government vehicles should also be provided for the recovery and the recovery procedures should be simplified. The defaulters misusing the loans should be severely dealt with [5].

The recommendation of the Narsimham Committee regarding setting up of an Asset Reconstruction Fund to take over from banks the bad and doubtful debts at a discount deserves to be implemented. [6]

4. **Improvement in Customer Service:**

The attitudes of bankers should be more customers oriented than procedure oriented. More flexible business hours, evening counters, bright and comfortable banking halls and well informed staff, information brochures and regular contacts, all of which will have to be given due attention to improve customer services.

5. **Up Gradation of Technology:-**

Appropriate use of technology for improvement the quality of customer service and ensuring efficiency in operations is crucial for the effective functioning of banks in emerging competitive environment. There is a need for improving and upgrading work technology to cope up with the growing volume of business transactions. The present program of branch computerization is largely confined to metropolitan and urban branches only. The feasibility of extending this facility to other growing banking centers has to be explored.[7]

6. **Profit Maximization:-**

Profitability can be increased to a greater extent by improvement in utilization of manpower and increase in ancillary earning than due to increase in net interest earnings from the fund operations.

Banks profitability largely depends on efforts made by management to minimize establishment / over head costs, enhance operational efficiency through cost effective operations and to systematically cost and appropriately price their services, an exercise which should be done as a continuous and ongoing process.

Banks will have to develop special skills, knowledge and management capabilities in their staff for under taking none fund business.

There is an urgent need for popularizing concept of profit planning at all levels especially, in branches creating an awareness that profitability should be the hall mark of each banking operation at all levels, would go a long way in improving profitability of banks.

**7. Privatizing Banks:-**

In India, the empirical case for privatization is especially strong as it is clear that public ownership has virtually paralyzed the management efficiency of banks due to political and administrative interference in the allocation of credit. Only those that appear to have problem over a period of time should be privatized not partially but completely through take over's.

Considering pros and cons of privatization, the case for privatizing Indian Banking seems to be strong, while privatization is theoretically the desired policy option. In reality, privatization of banks has proven to be difficult, making the end point unclear. The problem of political opposition of privatization has no short cut solution in a democracy and can only be solved over time through consensus building. [8]

Denationalization is no panacea for the ills facing the banking system. If the banks are viewed as dole giving agencies without having any sow in their own affairs the situation can only get worse. There is much sense in letting banks do their own business with least interference for best results. [9]

**8. Infrastructure:-**

Nearly 60 percent of the Indian banking infrastructure, particularly in the form of branch net work is located in the rural and semi urban areas. Hence, it is imperative that for any reform to succeed, it is fundamental that utilization of this infrastructure is strengthened and so also the man power deployed in it.[10]

The developmental role of banking is constrained by the availability of infrastructure and activities of state agencies in the area. Therefore, merely pumping in of more credit by commercial banks will not automatically lead to development. However, if the state and other agencies evolve suitable schemes to enable people to involve themselves in productive activities, then the banks can step in and provide the credit that will be needed.[11]

In the long run the success of banks' role in economic growth is closely linked with their ability to develop a public image and establish close rapport with the masses.[12]

**9 Encouraging Competition:**

In an increasing competitive environment, public sector banks cannot continue to operate as monolith. In fact, a breakup of this monolith is not only inevitable but highly desirable. The public sector banks can no longer use uniform norms for personnel policies, including recruitment and wages policies, up gradation of technology, risk management and branch network. To increase competition, foreign banks and new private sector domestic banks should be actively encouraged.[13]

There is a need for increasing competition in the Indian banking system given that the limited entry of small banks allowed so far is unlikely to introduce such competition on an adequate scale. One option is to allow a large scale entry of private banks.

Allowing the large scale entry of private banks to provide more meaningful competition could help to improve the performance of public sector banks, but it has the risk of forcing closure of weak public sector banks. The more viable option would therefore be to privatize at least some of the public sector banks.

The new bank should be allowed to expand rapidly to increase competition for existing banks. The government must allow more competition between banks and the cartel type activities of IBA should be ended.

**10 Impart Bank Autonomy:-**

Bank management should be given autonomy and flexibility, subject only to broad guidelines regarding all these matters. Nationalized banks should not be under any informal or formal requirements of prior permission from any one before opening or closing a branch, even closing a branch in rural areas. Creating a more competitive environment by greater access to foreign market raises more difficult questions. Even, internally, less hesitant attitude towards free competition would be welcome. Each bank should be responsible for its own recruitment including clerical recruitment and for all its policies, whether credit or personnel or any other. Once carefully selected and found successful bank chairman and senior staff should be continued in their job in the same bank as long as possible without being worried about silly retirement rules. Performance bonuses to senior management and indeed to all staff should be given as decided by individual. Boards of directors, once selected, board members should also have long tenure with changes mode by the chief executives in consultation with other directors as and when necessary and not at behest of the Government.

As long as banks are owned substantially by the Government, all talk of autonomy will be an element of wishful thinking. More autonomy should certainly be given to manager of public sector banks.

# 7.10 FUTURE PROSPECTS

As we know the State Bank of India is largest public sector bank of India, its future plans are really matter to the Indian Economy as well as the banking and financial sector of India.

**We can highlight some of hints of its future plans as below.**

1. According to the MD of State Bank of India, the bank plans 22% growth for auto, home loan in financial year 2012
2. State Bank of India is looking to rise around Rs 7,900 crore through preferential issue of shares to the Government of India, the bank said in an announcement on the BSE.
3. State Bank is also concentrating on controlling NPA ratio
4. State Bank is also targeting raise in fixed deposit and also concentrate on growth of loan products.
5. State Bank of India is also planning for more and more branch exploration
6. State Bank of India also aims to cover maximum rural area for banking service by option of mobile banking branch to the rural centers.
7. State bank of India also plans LCB (Low Cost Branch) in thin populated areas
8. State Bank of India is also planning vast recruitment.

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