CHAPTER I

INTRODUCTION AND DESIGN OF STUDY
CHAPTER - I

1.1. INTRODUCTION

The Scheduled Commercial Banks play a significant role in the fiscal markets. The future of the Indian Scheduled Commercial Banking sector is highly influenced by Globalization. This globalization involves Income and Losses. The sub-prime financial crisis 2006 in the US impacted the entire world. The global disorder has highlighted much in 2008 and its adverse impact on the real estate sector is clearly evident. Many developed countries and economies are experiencing recessionary circumstances. The financial crisis seems to have penetrated a new disordered period since September 2008 (Goel Shobhit & Bajpai Avinash, 2013), which has strictly damaged the confidence in international financial institutions and markets. A lot of banks in the world over have been affected by this global recession. Many of them got insolvent due to the effects of recession. But the Indian scheduled commercial banks, due to their traditional approach of banking business, have not been much impacted. The banks in India remained flexible from the impact of the world's recession. The key idea of this study is to evaluate and statistically test the impact of this recent global recession on Indian Scheduled commercial banking sector.

The Banks form the backbone in the development of any economy. After the post liberalization, the Indian banking sector underwent a huge growth. Since the financial reforms of 1991, there has been an extreme upgradation in the Indian banking sector. The deregulations of deposit interest rates and lending rates lower Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR), increased competition etc., have boosted the Indian banking sector. This has enabled banks to control the cost of deposits, to provide loans at a competitive interest rates, to make available more funds for lending, to lower down their generation rate of Non Performing Assets (NPA), etc. RBI permitted new banks to be started in the private sector as per the recommendation of Narasimham committee*. Foreign banks also were permitted to enter Indian banking industry**. Because of the

deregulation regarding entry, more and more banks from within and outside India are emerging, which created huge competition among banking entities. Due to this cut throat competition among banks in the Indian banking sector, the banks are diversifying its risk to different sectors (Shirai, 2004)\(^2\). The new generation banks have attained a reasonably better position in the banking industry. The improvement in the Information and Communication Technology (ICT) has also made banks to open their branches outside India. All these reforms in the Indian banking sector brought globalization in the Indian banking sector. The globalization of the Indian banks has improved their customer base and facilitated more business to them thus brightening the future of the Indian banking industry at the core. But on the other side, it has some shortcomings too. The finest example of destructive nature of globalization is US subprime mortgage crisis 2006. The US subprime mortgage crisis has gripped the whole world due to the openness of the world's economy.

*Narasimham Committee* Report *(Chapter V, para 5.20)*

The policy of licensing new private banks (other than local area banks) may carry on. The start up investment requirements of Rs.100 crore were deposited in 1993 and these may be reviewed. The Committee would recommend that there should be well defined criteria and a transparent mechanism for deciding the ability of promoters to professionally manage the banks and no category should be excluded on a priori grounds. The question of a minimum threshold capital for old private banks also deserves attention and mergers could be one of the options available for reaching the required investment entries. The Committee would also, in this association, propose that to extend and it is laid down (as now) that any particular promoter group cannot hold more than 40% of the equity of a bank, any further restriction of voting rights by limiting it to 10% may be done away with.

*Narasimham Committee Report** (Chapter V, para 5.21)*

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“The Committee is of the view that foreign banks may be allowed to set up subsidiaries or Joint Ventures in India. Such subsidiaries or joint ventures should be treated at par with other private banks and subject to the same conditions with regard to branches and directed credit as these banks”.

The ultimate point of origin of the US financial crisis is the highly indebted US economy and high appetite for risk by investors and the collapse of real estate market is the closing point of origin of the crisis (Fratianni and Marchionne, 2009)\(^3\). The recession in the US is the result of lower interest rate environment which attracts large number of home buyers to take home loans. The banks in the US started reckless lending of the housing loans event to the customers who have lower ability to repay these loans. The new Business models were developed by the financial industry in order to expand the funds to increase the mortgage lending. Then the mortgage lenders sell these home loans made to the borrowers to the investment banks. Investment banks in turn sell these mortgage based home loans to the investors as mortgage backed securities.

All the parties including banks started buying and holding these securities in order to earn higher returns. But as the interest rate starts increasing, the borrowers failed to repay the loans and ultimately the value of these securities starts falling. The more and more borrowers started to default and the investors started to demand their money back. This has pushed the banks to sell these securities at lower sale prices (Myers and Sendanyoye, 2009)\(^4\). As a result of this the banks suffered huge losses, bankruptcy, were forced to merge with other institutions in order to survive, and consequently crisis turned into disaster.

Housing slump in the US and the over use of credit cards has led the US citizens to bankruptcy, resulting into slow down of the consumer spending which in turn has lowered the capacity of US to import goods from different countries and thus lowered the industrial production. Not only this, the US investors started liquidating their investments from the financial markets. Due to this, the stock market around the world has witnessed


a terrific slow down. The year 2008 had marked the end of a growth cycle of international investment that started in 2004 and saw worldwide FDI down by more than 20% in 2008 (UNCTAD-XII, 2009). The Americans lost their jobs and their incomes had shrunk. The recession has driven the unemployment rate to such a lower level that was not seen since 1993. All this has an indirect impact on the global banking sector.

This situation also affected the ability of US banks to transact with the banks in different countries. The foreign banks in the US also get affected due to the US recession. The banking sector around the world gets affected by this global recession directly. There were reduction in jobs and salaries in the banking sector worldwide. Many of the banks also got bankrupt due to the effects of recession. Of the five large US investment banks, Lehman Brothers went bankrupt; Bear Stearns and Merrill Lynch were acquired by other banks. Out of these five banks, only Goldman Sachs and Morgan Stanley have survived because both of these have changed their business models since the start of the crisis. But Indian banks due to their conservative approach have not been much impacted. The banks in India remain resilient from the impact of world's recession because of strong financial fundamental, strict vigil on risk appetite and firm monetary guidelines. The Indian banking sectors remain insulated from the factors leading to the financial crisis. The Banking sector no doubt has faced the pressures of profitability due to higher funding costs, market-to-market requirements on asset portfolio, and asset feature weights due to a slowing financial system. During the recession period, the global exposure of Indian banks is relatively very small, with international assets about 6 per cent of the total assets. In the year 2009 the banking system had Rs. 36 lakh crore of deposits and Rs. 26 lakh crore of advances (Vidyakala and Madhuvanthi, 2009). The Indian banking sector has shown high economic growth and performance in the past, low default ratio, absence of complex financial products, time to time intervention by RBI, proactive steps for maintaining the liquidity in the market have favored the performance of

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6 Vidyakala, k., Madhuvanthi, S. (2009), Recession in Indian Banking Sector, Available at ssrn.com
Indian Banking in recent global financial turmoil. Barring the few incidents of decline in the business performance indicators, the huge Indian financial sector having 82 lakh crores assets and 60 lakh crores deposit base has grown at around 12 to 15 per cent per annum and has displayed stability for the last several years, even when other markets in the entire world and in Asian region were facing a crisis. The bank expects that the loss due to the sub prime crisis would take away nearly 9% of the yearly turnover. The present study analyses the impact of financial turmoil on the Scheduled commercial banks in India. In particular, this study has evaluated that whether there is positive, negative or no impact on recession in Scheduled commercial banks in India and also which groups (Public, Foreign, and Private) banks show statistical difference with regard to the financial performance.

1.2. STATEMENT OF THE PROBLEM

India is much more integrated with the world economy through both the current accounts and capital accounts. The downward revolve that emerge to have commences in the USA in September, 2008 have some unconstructive crash on Indian financial market. The direct effect of this international economic crisis on India is an out flow of Foreign Institutional Investment (FII) from the capital market. This removal by the FIIs led to a vertical depreciation of the rupee. The banking and the non-banking financial institutions have been suffering the victims. The recession generated the financial crisis in USA and other developed economies have adversely affected India’s exports In the era of globalization financial crisis seems to have been occurring with greater frequency. The crises of Latin America in the early 1980s and Mexico, Asia and Russia in the 1990s were the four major crises. The fifth one is the recent global financial crisis. Ten year ago, financial crisis of the East Asia was due to a real estate bubble in the Thailand burst, triggering the flight of international speculative capital, today, it is fallout of the real estate crisis in the USA which threatens the financial markets. The global financial crisis of 2008-09 emerged in September 2008 with the failure merger of several large United States based financial firms and spread with the insolvency of supplementary businesses, the governments in Europe, recession and declining stock market prices around the globe. But the financial crisis started to show its effects in the mid of 2007. Approximately the international stock markets have drop down, bigger fiscal institutions have malformed or
been bought out and governments in even the wealthiest nations have to come up with rescue packages to bail out their financial systems.

The crisis has become one of the most radical reshaping of the global banking sector, as governments and the private sector battle to share up the financial system following the disappearance of Lehman Brothers and Merrill as independent entities. Actually, the collapse of Lehman Brothers was a symbol of the global financial crisis. The real sector in many countries was already feeling the effects. Many industrialized nations were sliding into recession. The crisis became so severe that after the failure and buyouts of major institutions, the Bush administrations offered a $700 billion bailout plan for the US financial system. The Nobel Prize winner for economics Joseph Stiglitz argued that this bailout package is again based on “trickle-down economics” you throw enough money at Wall Street and some of it will trickle down to the rest of the economy. It does not do anything about the basic source of the problem. It is seen as a bailout for the culprits while ordinary person would be left to pay for their folly. Some of bailouts have also been accompanied with charges of hypocrisy due to the appearance of socializing the costs while privatizing the profits.

Market liberalization and privatization in the commodity sector have also not resulted in greater stability of international commodity values. There is widespread frustration with the outcomes of unregulated financial and commodity bazaar, which be unsuccessful to convey reliable price signs for commodity producers. For the developing countries like India, the rises in food prices as well as the knock on effects from the financial instability and uncertainty in the industrialized nations are having multiple effects. High fuel costs, high commodity prices together with fears of global recession are warning many analysts. The impact of the global crisis has been transmitted to the Indian economy through three separate directions namely: the financial sector, exports and exchange rates. The other significant channel of impact is the fall in business and consumer confidence leading to decrease in investment and consumer demand. The Indian government has announced several stimulus packages to boost the demand.
THE IMPACT OF THE INTERNATIONAL MELTDOWN ON THE INDIAN ECONOMY

The Indian economy has shown negative impact of the recent global financial meltdown. Though the public sector in India, including nationalised banks could somehow insulate the injurious effects of globalization as we are also part of the globalization strategy of neo-liberalization, there is a limit of ability to resist global recession, which may change into a great depression. The impact of the crisis was significantly different for the Indian economy as opposed to the western developed nations.

TABLE I: TRENDS IN GDP AT FACTOR COST IN RS. CRORE

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP (at 2004-5 Prices)</th>
<th>Growth in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>3254216</td>
<td>9.5</td>
</tr>
<tr>
<td>2006-07</td>
<td>3566011</td>
<td>9.6</td>
</tr>
<tr>
<td>2007-08</td>
<td>3898958</td>
<td>9.3</td>
</tr>
<tr>
<td>2008-09</td>
<td>4162509</td>
<td>6.8</td>
</tr>
<tr>
<td>2009-10</td>
<td>4493743</td>
<td>8.0</td>
</tr>
<tr>
<td>2010-11</td>
<td>4879232</td>
<td>8.6</td>
</tr>
</tbody>
</table>

Source: Central Statistical Organization, Government of India

After a long spell of Growth, (Rajiv Kumar Bhatt-2011) the Indian economy was experiencing a down turn. Table (I) shows that in 2006-07 the GDP growth rate was 9.6% which became 9.3% in 2007-08 and due to the impact of recent global financial crisis and global recession, the growth rate of Indian economy became declining. In 2008-09, it reduced to 6.8%. The International Monetary Fund (IMF) had also projected the growth prospects for Indian economy to 5.1 % in next year. And the RBI annual policy statement 2009 presented on July 28, 2009, projected GDP growth at 6 % for

2009-10. This declining trend has affected adversely the industrial activity, especially, in the manufacturing, infrastructure and in service sectors mainly in the construction, transport and communication, trade, hotels etc. Service export growth was also likely to slow as the recession deepens the financial services firms, traditionally large users of outsourcing services were restructured.

1.3. SCOPE OF THE STUDY:

The study considered to determining the financial performance and profitability of the scheduled commercial banks in India (Public, Foreign and Private Banks) during pre and post recessionary periods. It covers the performance evaluation of select Scheduled commercial banking in India. This study is limited and covers only in Scheduled commercial banks. The scope of the study is wider in nature. The Scheduled Commercial banking system in India is heterogeneous with existence of the two hundred and sixty seven (Reserve Bank of India)\(^8\) Commercial Banks in India. However due to the limited span of time the sixty six banks has carried out for this study and out of this sixty six banks (Public, Foreign and Private Banks) the top three banks taken for the comparative performance of the scheduled Commercial Banks, growth rate, profitability and also evaluating their financial viability.

1.4. OBJECTIVES OF THE STUDY

i. To identify the financial performance of select scheduled commercial banks with respect to CRAMEL Ratio during Pre and Post-recessionary period.

ii. To analyse the trends and growth of select scheduled commercial banks in India during Pre and Post-recessionary period.

iii. To assess the financial parameters which determine the profitability of select scheduled commercial banks in India during Pre and Post-recessionary period.

iv. To analyse the financial strength of select scheduled commercial banks in India during Pre and Post-recessionary period.

\(^8\) www.rbi.org.in
To present the findings and offer suitable suggestions to improve the profitability of the Indian scheduled commercial banks

1.5. HYPOTHESIS OF THE STUDY

1. There is no difference between the CRAMEL ratio’s of Pre and Post-recessionary period of select scheduled commercial banks in India.

2. There is no difference between growth position in Pre and Post-recessionary period of scheduled commercial banks in India.

3. There is no significant difference among the groups of banks with respect to their financial performance due to Pre and Post-recessionary period.

4. The growth of working funds contributes much towards the profitability of pre and post recession financial performance of select scheduled commercial banks in India.

5. The increase in credit has an indirect and positive effect on the profitability of pre and post recession financial performance of select scheduled commercial banks in India.

1.6. PERIOD OF STUDY

The financial years of Indian Public Banks, Foreign Banks and Private Banks during two session Pre-recessionary period (i.e. 2002-03 to 2006-07) and Post-recessionary period (2007-08 to 2011-12) was selected for this study.

1.7. OPERATION PROFIT DEFINITION

The various concepts used in this study are as follows:

i) Profit: The excess of total revenue over total cost during a specific period of time, normally a year, is called profit. In the context of banking industry, it refers to the excess of income over expenditure and provisions in a given period of time.

ii) Profitability: ‘Profitability’ may be defined as the ability of a given investment to earn a return from its use. The word ‘profitability’ is composed of two words ‘profit’ and ‘ability’. ‘Ability’ refers to the earning capacity or power of an enterprise to earn the profit.
iii) Commercial Banks:

**Commercial Banks** refers to both the scheduled and the non-scheduled commercial banks which are regulated under Banking Regulation Act, 1949.

(a) **Scheduled Commercial Banks** are grouped under following categories:

1. State Bank of India and its Associates
2. Nationalised Banks
3. Foreign Banks
4. Regional Rural Banks
5. Other Scheduled Commercial Banks.

(b) **Non-Scheduled Commercial Banks**

**Note:** Banks in the groups (1) & (2) above are known as public sector banks whereas, other scheduled commercial banks mentioned at group (5) above are known as private sector banks.

**iv) Contingent Liabilities:** Potential liabilities: liabilities for which a business may be held, but which is never expected to be compelled to meet liabilities that depend upon the fulfillment or lack of fulfillment of certain conditions are known as secondary liabilities.

**v) Sensitive Sector:** The Reserve Bank of India classifies financing of commodities, financing of real estates beside advances to capital market as sensitive sector financing.

**vi) Prudential Norms:** In the wake of new economic reforms Indian Commercial Banks have been following a set of norms with regard to revenue recognition, asset classification, providing for impaired assets and capital adequacy. These are known as prudential norms.

**vii) Cost of Funds:** This term is usually referred to indicate the effective cost of raising funds. In case of banks it indicates interest cost. At times, transaction cost is also included.
viii) **ALM (Asset-Liability Management):** ALM technique aims to manage the volume, mix, maturity, rate sensitivity, quality and liquidity of the assets and liabilities as a whole so as to attain a predetermined acceptable risk-reward ratio.

ix) **Intermediation Cost:** Total of operating expenses is called intermediation cost.

x) **Cash Reserve Ratio (CRR):** The CRR refers to the cash, which banks have to maintain with the RBI as a certain percentage of their time and demand liabilities. This measure is used as an important and effective tool for directly regulating the lending capacity of banks.

xi) **Statutory Liquidity Ratio (SLR)**

SLR stands for Statutory Liquidity Ratio. This term is used by bankers and indicates the minimum percentage of deposits that the bank has to maintain in form of gold, cash or other approved securities. Thus, we can say that it is ratio of cash and some other approved securities to liabilities (deposits) It regulates the credit growth in India.

xii) **Definition of 'Gross Domestic Product - GDP'**

The monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.

\[ \text{GDP} = C + G + I + NX \]

where:

"C" is equal to all private consumption, or consumer spending, in a nation's economy

"G" is the sum of government spending

"I" is the sum of all the country's businesses spending on capital

"NX" is the nation's total net exports, calculated as total exports minus total imports. (NX = Exports - Imports)
xiii) Definition of 'Recession'

A significant decline in activity across the economy, lasting longer than a few months. It is visible in industrial production, employment, real income and wholesale-retail trade. The technical indicator of a recession is two consecutive quarters of negative economic growth as measured by a country's Gross Domestic Product (GDP); although the National Bureau of Economic Research (NBER) does not necessarily need to see this occur to call a recession.

xiv) The ‘CRAMEL’ Model Analysis:

An entity-specific analysis of the risk profile is done through a qualitative cum quantitative approach following a structured methodology called the ‘CRAMEL’ model. Based on the rating criteria, the relative strengths and weaknesses of each entity in comparison to its peer group are evaluated. Apart from the CRAMEL model, CRISIL (Credit Rating Information Services of India Limited)⁹ also evaluates the market position of the bank/FI being rated and its strategy in the emerging competitive scenario.

Based on these criteria, the relative strengths and weaknesses of each entity in comparison to its peer group are evaluated.

The CRAMEL model (above) comprises the following:

- Capital adequacy
- Resource raising ability
- Asset quality
- Management and systems evaluation
- Earnings potential
- Liquidity/asset liability management

No one factor has an overriding importance or is considered in isolation and all the above factors are viewed in conjunction while assigning the rating. The above methodology is expressed in a schematic diagram below:

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⁹ www.crisil.com
1.8. METHODOLOGY

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. In this study the various steps that are generally adopted by researcher in studying research problem along with the logic behind them.

The present study is taken from the secondary data and attempt to study and examine the progress and “financial performance of select scheduled commercial banks in India with reference to pre and post recession period”. For the present study a period of ten financial years and divided into two five years period i.e., from 2002-03 to 2006-07 and from 2007-08 to 2012 was selected to cover the turnaround phase with the help of which progress and growth is evaluated. The study is analytical and descriptive in nature since each and every unit of the population is considered for analysis and interpretation.

1.8.1. CRAMEL - Ratio analysis of Commercial Scheduled Banks

Studying and assessing the financial performance of select scheduled commercial banks in India with reference to pre and post recession period and for the study a period of ten financial years and divided into two five years period, i.e., from 2002-03 to 2006-07 and 2007-08 to 2012 the CRAMEL technique was applied on financial figures and observations were made. The acronym “CRAMEL” refers to the six components of the bank’s efficiency, namely Capital adequacy, Resource deployment, Asset quality, Management efficiency, Earning quality and Liquidity. CRAMEL is basically a ratio-based model for evaluating the performance of banks. The forth coming pages shed light on the CRAMEL – Ratios analysis of profit making Regional Rural Banks.

The profitability of the Scheduled commercial banks is measured in percentages that determine financial performance. Using the selected ratios under CRAMEL analysis and the growth pattern of the Scheduled commercial banks was applied.
1.8.1 Measuring the Extent of Factors Influencing Bank Profitability

The following factors have been adopted in the multivariate technique:

1.8.1.1 Capital adequacy ratios:

\[ X_1 = C_1 \text{ (Ratio of Advances to Total Assets)}, \quad X_2 = C_2 \text{ (Govt. Secur. to Total Assets)}, \quad X_3 = C_3 \text{ (Capital Adequacy)}, \quad X_4 = C_4 \text{ (Debt Equity ratio)} \]

1.8.1.2 Resource deployment ratios:

\[ X_5 = R_1 \text{ (Investments to assets)}, \quad X_6 = R_2 \text{ (Other Assets to Total Assets)}, \quad X_7 = R_3 \text{ (Credit Deposit Ratio)}, \quad X_8 = R_4 \text{ (Fixed Assets to Total Assets)}, \quad X_9 = R_5 \text{ (Investment Deposit Ratio)} \]

1.8.1.3 Assets quality ratios:

\[ X_{10} = A_1 \text{ (Return on Advances)}, \quad X_{11} = A_2 \text{ (Return on Investment)}, \quad X_{12} = A_3 \text{ (NPA to Advances)}, \quad X_{13} = A_4 \text{ (Interest Income to Assets)} \]

1.8.1.4 Management efficiency ratios:

\[ X_{14} = M_1 \text{ (Business per Employee)}, \quad X_{15} = M_2 \text{ (Intermediation cost)}, \quad X_{16} = M_3 \text{ (Return on Net Worth)}, \quad X_{17} = M_4 \text{ (Total Advances to Total Deposits)} \]

1.8.1.5 Earning quality ratios:

\[ X_{18} = E_1 \text{ (Net Interest Income to Total Assets)}, \quad X_{19} = E_2 \text{ (Burden to Total Assets)}, \quad X_{20} = E_3 \text{ (Operating Profit to Total Assets)}, \quad X_{21} = E_4 \text{ (Interest income to Total Income)}, \quad X_{22} = E_5 \text{ (Non-Interest income to Total Assets)}, \quad \text{Return on total assets (Y)} \]

1.8.1.6 Liquidity ratios:

\[ X_{23} = L_1 \text{ (Term Deposits to Total Deposits)}, \quad X_{24} = L_2 \text{ (Liquid Assets to Total Assets)}, \quad X_{25} = L_3 \text{ (Liquid Assets to Demand Deposits)}, \quad X_{26} = L_4 \text{ (Liquid Assets to Total Deposits)}, \quad X_{27} = L_5 \text{ (Provisions & Contingencies to Total Assets)} \]

Out of the above-denoted factors, the variable Y is dependent whereas the variables X1 to X28 are independent variable.
1.8.2. RESEARCH DESIGN

A research design is a definite plan for obtaining a sample from a given population. Research design means a sketch or a drawing of a research project's structure. It comprises a series of prior pronouncements that, taken together, provide a roadmap for carrying out a research project. The research design of the present study is outlined hereunder.

1.8.3. SOURCE OF DATA

The study is mainly based on secondary data. The major source of data analyzed and interpreted in this study related to all those banks selected from Reserve bank of India and "PROWESS" database, which is the most reliable on the empowered corporate database of Reserve bank of India and Centre for Monitoring Indian Economy (CMIE). It contains a highly normalized database built on a sound understanding of disclosure in India on around twelve thousand companies, which include Public, Foreign and Private banks in India.

1.8.4. SELECTION OF SAMPLE

In view with the scope of the study, it was decided to include all the banks under banking industry working before from the year 2003-07 and 2008-12. The researcher have taken Sixty Six Banks for analysing the data. Out of Sixty six, each three Banks were selected from Public, Foreign and Private Banks; it is compelled to restrict the total number of sample selected to nine banks based on return on total assets. The method of sampling is a random sampling. List of selected banks in the present study is presented in Annexure – I. and the total number of banks presented in Annexure II.

1.8.5. STATISTICAL TOOLS USED FOR ANALYSIS

The secondary data have been collected from the different sources and has been properly sorted, classified, edited, tabulated in a proper format and analyzed by deploying appropriate statistical tools. The statistical tests are conducted at one per cent and five per cent level of significance. The following statistical tools are used.

1. Correlation
2. Multiple regressions
3. Factor analysis
4. Path analysis
5. T – test
6. Compound Annual Growth Rate and
7. Trend Analysis (Linear Method)

**1.9. LIMITATIONS OF THE STUDY**

The study is subject to the following limitations:

i. The study is based on secondary data obtained from the published annual reports of select scheduled commercial banks and as such its finding depends entirely on the accuracy of such data.

ii. Statistical test used in the study to interpret the analysed data to generalise the findings of the study for the entire population has got their own limitations and result in the analysis is subject to same constraints as are applicable to statistical tools.

iii. The analysis of financial statement of select scheduled commercial banks gives diagnostic indicators. Researcher being outside external analyst obviously has no access to internal data. Therefore, inside view of the banking institution cannot be characterized in the study.

**1.10. CHAPTER SCHEME**

In order to present this research work in a lucid way, it has been divided into five chapters. The layout of these chapters is delineated below:

**CHAPTER I** includes introduction, statement of the problem, review of literature, scope of the study, objectives of the study, hypothesis of the study, period of study, operation profit definition, methodology, research design, source of data, selection of sample, statistical tools used for analysis, limitations of the study and chapter scheme

**CHAPTER II** includes review of study and research gap

**CHAPTER III** encompasses the overview of scheduled commercial banks in India.

**CHAPTER IV** brings out financial performance of pre and post recessionary period analysis and Interpretation of the select scheduled commercial banks in India. This is committed to the growth, trend and financial position of the selected sectors of banking industry in India.

**CHAPTER V** embodies the summary of conclusions and some workable recommendations for the smooth and efficient functioning of banking industry in India.