The following Performance Indicators have been used in the study for evaluation of performance of the Banks:

1. Business per Branch

   **Formula:** Business per Branch = Deposit + advance/No. of branches.

   **Purpose to apply this ratio:** This ratio is taken into consideration for evaluation and comparison of the efficiency of a bank at its branch level. The higher the ratio, the more is the business per branch and hence greater efficiency per branch. It is suggested that business at a branch level is to be considered for evaluation of performance, as the branch is the operating unit, instead of conducting the study at bank level.

2. Business Per Employee

   **Formula:** Business Per Employee = Deposit + Advance/ No. of Employees.

   **Purpose to apply this ratio:** The average business per employee could be an indicator of employee’s productivity. The input is no. of employees and output is the total business. Therefore, the ratio indicates input-output relationship. A higher ratio is indicator of greater efficiency of employees.

3. Credit Deposit Ratio

   **Formula:** Credit Deposit Ratio = Total Advances/Total Deposits x100.

   **Purpose to apply this ratio:** It indicates the percentage of total advances on total deposits. Higher this ratio, better would be the credit deployment resulting in larger profit for the Banks. CD ratio as 60% is generally considered as an ideal ratio.

4. Net Interest Margin (NIM) as a percentage to working funds

   **Formula:** Net Interest Margin (NIM)= Spread / Working Funds x 100.
   **Here Spread = Interest Earned-Interest Expended.**
5. **Non-Interest Income (NII) as a percentage to Total Income**

   **Formula:** Non-Interest Income (NII) = Non-Interest Income/Total Income x 100

   **Purpose to apply this ratio:** In order to improve the overall income of the Banks, they are concentrating on fee based services to increase noninterest income. Higher this ratio the better would be the profitability of the Banks. NII is also known as “Other Income”. Other Income includes commission, exchange, brokerage, sale of investments, revaluation of investment, sale of land and buildings, income earned through dividend and miscellaneous income.

6. **Profit Per Branch**

   **Formula:** Profit Per Branch = Net Profit/ No. of Branches

   **Purpose to apply this ratio:** Net profit is the difference between income and expenditure, which indicates profitability at each branch level and the same time, indicates its efficiency. Better ratio is indicator of good health and efficiency.

7. **Profit per Employee**

   **Formula:** Profit per Employee= Net Profit/ No. of Employees.

   **Purpose to apply this ratio:** This is one of the indicators to measure the performance of the bank. It is not only a Profitability indicator but also indicates the efficiency. Higher this ratio, better the profit per employee, which means employees are utilising higher efficiency in his/her workings in the firm/bank.

8. **Recovery Ratio**

   NPAs recovered during the year as percentage of Gross NPAs outstanding at the beginning of the year.

9. **Return on Assets(ROA)**

   **Formula:** Return on Assets(ROA) = Net Profit or Loss/ Total Assets x 100.
Purpose to apply this ratio: This ratio indicates the profitability of the bank widely used not only at the international level comparisons but also supported by the RBI for Indian bank’s balance sheet analysis. Assets of a bank include cash in hand, balance with RBI, and balance with banks in India, money at call and short notice, balance with Banks outside India. Assets also include total investments, total advances, fixed assets like premises, assets under consideration etc., other assets include net inter-office adjustment, accrued interest, tax paid, stock of stationary and stamp etc.

10. Return on Equity (ROE)

Formula: Return on Equity (ROE) = Net Profit or Loss/ Equity x 100.

Higher the ROE better is the profitability of Banks.

11. Slippage Ratio

It is Fresh accretion of NPAs during the year as percentage of standard Assets at the beginning of the year.

12. Written off Ratio

It is NPAs written off during the year as percentage of Gross NPAs outstanding at the beginning of the year.