Banking sector occupies an important place in a nation’s economy. A banking institution is indispensable in a modern society. It plays a pivotal role in the economic development of a country and forms the core of the money market in an advanced country. In India, among the banking institution in the organized sector, the commercial banks are the oldest institutions having a wide network of branches, commanding utmost public confidence and having the lion’s share in the total banking operations. The commercial banks operating in India fall under a number of sub-categories on the basis of ownership and control of management as-public sector banks including State Bank Group, private sector banks and foreign banks.

India is the largest country in South Asia with a huge financial system characterized by many and varied financial institutions and instruments. Indian banking sector was well developed even prior to its political independence in 1947. There was significant presence of both foreign and domestic banks and well-developed stock market. The system expanded rapidly after nationalization of major commercial banks in late 1969 and then in 1980 and now ranks in the top quarter among developing countries.

The banking industry in India is undergoing a transformation since the beginning of liberalization. Interest rates have declined considerably but there is evidence of under-leading by the banks. More and more foreign banks are coming to India. Due to the adoption of latest technology and good quality of services to the customers, these banks are attracting the customers’ attention. As the competition is increasing day by day in the banking industry, the banks have to concentrate upon their performance. The performance of commercial banks in India has been under policy and academic spotlight for a while now with public sector bank performance receiving the greatest attention. Performance and efficiency of commercial banks are key elements of the efficiency and efficacy of a country’s financial sector. It is not surprising then, that considerable attention has been focused on the performance of commercial banks in India in recent years. According to the general perception as well as on several metrics, the “new” private sector banks and the foreign banks have led the way in terms of efficiency. Public sectors banks, still not entirely free from the
old bureaucratic mode of functioning and constrained by certain “developmental” lending objectives are often thought to be lagging behind in the race to efficiency. Bank privatization and further liberalization of the banking sector including allowing bank mergers are frequently discussed as remedies for the situation.

The performance of several public sector banks (PSBs) has been so poor that many have called for a complete overhaul of these banks and privatization as a solution. Performance evaluation of banks, particularly in an economy that is dominated by public sector banks that are not driven purely by profit motive, however, is not a simple task. Profitability is definitely a key measure of performance, but it is use as the sole measure, is disputed by many and several alternative measures of efficiency have been used in the literature. This study takes a look at a few of these measures to evaluate the performance of banks in the post-reforms era. A key issue in judging bank efficiency is the link between management objectives and the selected measure of efficiency. As in any business, banks too seek to maximize shareholder value as well as pursue strategic objectives. Banks at different levels of market share frequently set differing objectives, so any measure other than Return on Assets is fraught with comparability problems.

In addition, more than in many other businesses, risk management plays a crucial role in banking and it is, indeed, a difficult task to figure out the riskiness of a bank’s operations without going through a detailed analysis of its investments and loan portfolio. The risk exposure of banks is much more than any other business. The performance of commercial banks can be evaluated using the traditional ratio analysis. These ratios can be used as benchmarks for evaluating the performance of different banks. These ratios help the management in taking various decisions.

The study comprises of eight chapters.

The First Chapter is an introductory one which describes the theme of the study including Indian Banking Scenario, Role of Banks in the growth of Indian Economy. This Chapter also devoted to Reforms in Indian Banking Sector, which, inter-alia, consists of Growth and Development of Banking-Pre and Post Reform Periods, Impact of Reforms on Indian Banks, Post Reform Gains of Indian Banking Sector.
Second Chapter extensively covers the review of Literature for the studies that were earlier conducted in India and abroad by different researchers.

Third Chapter explains the need and relevance for this study, objective of the study and Hypothesis framed thereon, Research Methodology adopted, Utility of the Study and limitation of the study.

Fourth Chapter analyses the Financial Performance of Public Sector Banks, Group wise, SBI and Associate (G-1) and Nationalised Banks (G-2) through some well defined and acceptable performance indicators, e.g., Volume and size of Banks, Efficiency, Profitability, Asset Quality and Soundness.

Fifth Chapter discusses the Financial Performance of Private Sector Banks, comprising old Pvt. Banks (G-3) and new generation Pvt. Banks (G-4) in term of above referred performance indicators.

Chapter Sixth makes analysis of Comparative Financial Performance of Public Sector and Private Sector Banks, followed by testing of Hypothesis through various statistical tools like Mann Whitney Test, Karl –Pearson Correlation Coefficient.

The last Seventh Chapter provides Findings, Suggestions and Conclusion emanated from the study for further improvement in performance of the Banks on an on-going basis.

We hope that this study will be of much help to Researchers, Banking Industry, Planners, Administrators, and Academicians.

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