Review of Literature

A literature review is a text written by someone to consider the critical points of current knowledge including substantive findings, as well as theoretical and methodological contributions to a particular topic. Literature reviews are secondary sources, and as such, do not report any new or original experimental work. Thud, also a literature review can be interpreted as a review of an abstract accomplishment.1

Most often associated with academic-oriented literature, such as a thesis or peer-reviewed article, a literature review usually precedes a research proposal and results section. Its main goals are to situate the current study within the body of literature and to provide context for the particular reader. Literature reviews are a staple for research in nearly every academic field. A systematic review is a literature review focused on a research question that tries to identify, appraise, select and synthesize all high quality research evidence relevant to that question. A systematic review aims to provide an exhaustive summary of current literature relevant to a research question. The first step of a systematic review is a thorough search of the literature for relevant papers. The Methodology section of the review will list the databases and citation indexes searched, such as Web of Science, Embase, and PubMed, as well as any hand searched individual journals. Next, the titles and the abstracts of the identified articles are checked against pre-determined criteria for eligibility and relevance. Thus, we can say that review of literature is the process of reading, analyzing, evaluating, and summarizing scholarly materials about a specific topic.

Universal Banking plays vital role in making banks profitable. This is very intense subject of debate among the academician, researchers and policy maker. Internal as well as external factors affect the universal banking. A wide range of services under the one roof are available only through the universal banking. Some researchers have tri-

-ed to find out the factors which affect the profitability and efficiency of banks by providing universal banking services to the customers. In universal banking, large banks operate extensive networks of branches provide many different services hold several claims on firms i.e. equity and debt and participate directly in the Corporate Governance of firms.

The outcome of the studies varies depending on the scope and need of the study. It has been attributed to several factors i.e. the decline of traditional banking activities means deposit taking and lending, poorly performing debts like arising from poor lending decisions, and for domestic banks, depressed property prices and important local industrial sectors performing badly, make it necessary to analyze of bank performance tend to be short-term and narrow in their outlook and seldom attempt to explain the underlying trends and processes of change, thus, the broad competitive forces of information technology, globalization and deregulation are de establishing the banking industry leading to irrevocable charges on a much greater scale than has occurred in the past. Following literature gives us an idea about the studies of universal banking with reference to private and public sector banks. It also gives us an idea about the comparison of both private and public sector banks. These studies are listed in alphabet sequential orders which are describe as under.

Adalet Muge (2009) examined that German banking crisis using a bank-level data set near about the period of 1931. It specifically focused on the link among banking structure and financial stability. The universality of banks, a key characteristic of the German banking system, it showed, to increase the probability of bank failure after controlling for other bank-level characteristics and macroeconomic variables.

Adams Adewale Adegoke Alawiye and Babatunde Afolabi (2013) focused on the arguments for universal banking especially for efficient services to customers and also for financial systems stability and profitability, while, the comparative practice of universal banking in some notable countries of the world was also x-rayed because
universal banking is a superstore for financial products under a single roof. Corporate bodies can lot of opportunities of universal banking system are yet to be fully exploited universal banking being a worldwide banking business phenomenon is continually been subjected to research efforts over the last century everywhere in the world. Universal banking is the panacea to resuscitate and revamp the business of banking back to recovery, efficiency and windfall profitability. This is especially so from United States to Germany, Switzerland, Britain, and India and across all the established financial markets and financial systems through the world, the impact of universal banking on the growth and development of the banking industry cannot be underestimated. Therefore, universal banking is preferable to split banking system is that which provides greater financial systems stability and also offer better solutions for customer services.

Albertazzi Ugo (2006) developed a used to show the provision of incentives in a universal bank, which is regarded as a common agent serving different customers with potentially conflicting interests for example, it may buy assets on behalf of investors and sell assets on behalf of issuing firms. The customers offer incentive schemes to the bank and they behave non-cooperatively. The bank decides a level of effort and, when firewalls are absent, a level of collusion, modeled as a costly and unproductive redistribution of wealth among the customers. Actually absence of firewalls the equilibrium incentive scheme are steeper, means the level of effort is higher and may compensate the ex-post inefficiency of collusion. It showed not to hold in the presence of one inexperienced player who does not recognize the existence of the conflict of interest. The model allows drawing result about the desirability of firewalls or of softer measures like the imposition of transparency requirements.

Atunbas and Chonga (1996) examined the effects of universal banking on the risk and returns of Japanese commercial banks, long-term credit banks, trust banks and security firms using an event study methodology and Chi square, the results of their study showed that universal banking in Japan has significant effects on the risks and returns of financial institutions. Universal banking in particular increases the Japanese financial
institutions exposure to market risks, but lowers the exposure to interest rate risks but only the trust banks and security firms seem to benefit from universal banking in terms of increased returns.

**Banerji Sanjay and Basu Parantap (2009)** analyzed that, relative performance of a fully integrated financial system with respect to a stand-alone system where there is strict separation among depositories and under writing activities where both system vulnerable to problems of moral hazard. In other words, a simple inter temporal model with moral hazard and uninsured risk, if financial contracts are properly written, the integration in financial markets could give risk to greater risk sharing arrangement and could eliminate the equity risk premium attributed to informational asymmetry between the lenders and the borrowers.

**Banerj Sanjay, Chen Andrew H. and Mazumdar Sumon C. (2002)** found the act of Gramm Leach Bliley in the year of 1999 repealed many provisions that reduced competition among banks and commercial firms. Significantly, however, the above act did not repeal the constraint on banks from owning equity in commercial firm’s means universal banking that banks are allowed to hold equity in corporate borrowers? If allowed, would banks optimally choose to do so? Despite its relevance from a policy perspective, there are surprisingly few theoretical analyses of this issue of universal banking. Thus, develop a model in which the bank's advisory role as an “inside” shareholder hinges on its equity stake. The optimal capital structure and the bank's and entrepreneur's equity stakes are endogenously determined in a world with potential double-sided moral hazard. In certain scenarios, the bank may prefer not to hold any equity. Hence, analyzed indicates that allowing optimal bank equity participation may foster improved corporate performance, and benefit of universal banking should be considered in policy debates.

**Benston George J. (1994)** found that universal banks are financial institutions which offer the entire range of financial services including sell insurance, underwrite
securities, and carry out securities transactions on behalf of others. They may own equity interests in firms including non financial firms and shares of companies including shares of others because universal banks elect their employees as members of the Board of Directors of these companies. Germany today and before the second World War provides the best example of universal banking. European community (EC) countries also permitted to operate in their home country. Thus, all countries in the EC will be served by universal banks, subject to some restrictions on share ownership by banks as well as by specialized banks.

**Ber et al (2001)** observed that the combination of bank lending, underwriting and investment fund management is more likely to result in conflicts of interest. In line of this finding, the ideal structure of universal banks should be compartmentalized into separate departments for core-banking and other non-banking services.

**Berger, Allen N. and Gregory F. Udell (1995)** examined the contention that as banks become larger and more organizationally complex means more like universal banks, they may reduce the supply of credit to small business borrowers. This would be consistent with an effort to reduce Williamson-type managerial diseconomies in providing services for large and small borrowers jointly, and investigated that the empirical association of loan price and quantity with bank size and complexity, using a data set with over 9,00000 bank loans. The data support the proposition that larger, more complex banks may reduced the supply of small business lending, although other institutions may replace many of these loans.

**Ber hedva, Yafeh Yishay and Yosha Oved (2000)** found that a newly-constructed data set on Israeli Initial Public Offering (IPO) firms in the period of 1990s, and found about the costs and benefits of universal banking. Because, a firm whose equity was underwritten by a bank-affiliated underwriter, when the same bank was also a large creditor of the firm in the IPO above year, exhibits significantly better than average post-issue accounting performance, but that its stock performance during the first year
following the IPO is considerably lower than average. When, an investment fund managed by the same bank is heavily involved in the IPO as buyer of the newly-issued equity, the stock performance during the first year following the IPO is even lower. Thus, together with negative first day returns, is indicative of IPO overpricing. Therefore, understood these findings as evidence that universal banks use their superior information regarding customer firms to float the stock of the cherries, not the lemons, but that bank managed funds pay too much for bank underwritten IPOs, at the expense of the investors in the funds. Therefore, these reasons suggested that there is conflict of interest in the combination of bank lending, underwriting, and fund management.

Boyd John H., Chang Chun and Smith Bruce D. (1998) evolved a model that many claims have been made about the potential benefits, and the potential costs, of adopting a system of universal banking in the United States. Thus, evaluate these claims using a model where there is a moral hazard problem among banks and borrowers, a moral hazard problem between banks and a deposit insurer, and a costly state verification problem. Under conditions described for allowing banks to take equity positions in firms strengthens their ability to extract surplus, and exacerbates problems of moral hazard. The incentives of universal banks to take equity positions will often be strongest when these problems are most severe.

Boyd (1999), Kanatas and Qi (1998) and Boyd et al (1998) identified moral hazard, conflicts of interest, provision of deposit insurance and bank’s capture of underwriting business (by affecting the investment decisions of the banks) etc. are the most important issues to be dealt carefully in practice of universal banking. The trade-off between potential benefits and risks of universal banking has to be evaluated in the light of the institutionalized and historical conditions (Baltilossi, 2003). In brief, it cannot be said with certainty that universal banking carries relatively less risk compared to specialized banking. The performance of universal banks may depend largely on the customer relationship (tacit knowledge), levels of risk exposures (conflicts of interest) and proper management of the diversified chains of products and services. For
developing countries especially in South Asia there are no such empirical studies on universal banking like India many countries in the region have recently opened up their economies, the universal banking is yet to attain momentum as a strategy of banking in India also. The mergers and acquisitions in the banking sector in India may ultimately lead to emergence of universal banks.

**Burghof Hans Peter and Henschel Claudia (1997)** studied the information and interaction processes in six lending relationships among a universal bank and medium sized firms that is based on the credit files of the respective firms. If no problems occur in lending relationships, bank monitoring is based mainly on cheap, retrospective and internal data. The level of monitoring and the willingness to re-negotiate the lending relationship depends on what the lending officers can learn about the future prospects of the firm from the behavior of the debtors, identified both signaling and bonding activities. Such learning from past behavior seems to allow monitoring at low cost whereas direct observation of the firm’s investment outlook seems to be very costly. Thus, the traditional view of credit assessment as observation of the quality of a borrower’s investment programmed needs to be reconsidered.

**Calomiris Charles W. (1995)** found that in universal banking, large banks operate extensive networks of branches provide many different services hold several claims on firms i.e. equity and debt and participate directly in the Corporate Governance of firms that really on the banks for funding or as insurance underwriters in the duration of 1870 to 1913 the second industrial revolution and financing industrialization in the United States and Germany, found large production and distribution activities brought a new challenge to financial markets and large production is typical of modern industrial practice and the above period apply broadly to contemporary developing countries, and after it industrial revolution-involved many new products and technologies, specially involving machinery, electricity and chemicals and the novelty of these production processes posed severe information problems for external sources of finance. The cost of industrial financing began to decline when institutional changes came about that
increased the concentration of financial market transactions, at present a combination of macroeconomic distress international competitive pressure and the creation invention of new financial intermediaries.

Cameron Colleen W. (1995) focused for differential performance applied to data for universal and non-universal banks exposed that the performance of universal banks was not superior to that of the non-universal banks, therefore, does not support the performance theory as a basis for the global trend towards universal banking. Slightly, there is implied support for the theory which loss of comparative advantage by commercial banks in the credit market and an increasingly competitive global market for financial services are both pushing major countries to adopt the universal model. Thus, relatively new universal banks in those countries were converging towards the performance levels of other established universal systems.

Canals Jordi (1996) found the need for corporate renewal because in the last duration of 10 years, so many universal banks means large, diversified banking groups have experienced a dramatic role in economic performance in many industrial countries, and focused of universal banks and have proposed alternatives such as the concept of core banking or the functional approach and due to above cause, these proposal are useful but incomplete, universal banks have to consider all the elements of corporate strategy, such as any other diversified company, including the positioning of each business unit in its market, the development of basic capabilities which will allow those units to differentiate themselves from competitions and sustain a competitive advantage, the relationship among each units and the corporate centre and also the organizational structure which will support the universal bank.

Cappiello Stefano (2006) focused that rules establishing organizational constraints in order to prevent conflicts of interest in universal banks and proposed procedural rules which, aggregating lawsuits, aim at facilitating investor’s access to justice. The evolution of the US regulatory framework about conflicts of interest in
universal banks provides two useful indications. First, with regard to protection of investors through supervision over financial conglomerates, for which, suggested that in order to have efficient and competitive intermediaries and seems more appropriate to adopt a flexible approach, holding financial intermediaries responsible for the selection and implementation of the Governance system that they deem more adequate to their specific structure, and second, with regard to protection of investors through an easy access to judicial redress, the US experience suggested to attention on legal and market instruments that can help mitigate the risk that the collected action an opportunity for the extraction of private benefits of various agents involved in the representation of investors interests.

Chaitanya, Krishna V (2005) observed that, since 1990 the financial sector reforms were introduced the banking sector saw the emergence of new generation of private sector banks, and these banks gained at most popularity as they have technology edge and better business models, and when compared to public sector banks. Thus, the most important thing is they able to attract more volumes simply because they meet their customers’ requirements under one roof, and focused on understanding the concept of universal banking in India attempts to explain the regulatory role and requirements key duration and maturity distinction and the optimal transaction path which gives an overview of the international experience and argues in favor of developing a strong domestic financial system in order to compete in the global market.

Cheang Nicholas (2004) found the different types of financial products and services break in our daily activities, and a major group of financial institutions, banks have been expanding their service scope, thus, universal banks which provide a variety of financial products and services in one house, have experienced growing popularity in some industrialized countries. In Macao, banking institutions have assumed a key role in the simplistic financial sector. Local commercial banks have made effort to diversify their products and services, but a lengthy process is expected for their transition into truly
universal banks, and also found that the current structure and practices of the local market and contribute to this lengthy transformation.

Choi Gilyop, Peak Wonsun and Roy Song Kyojik (2010) found the effect of universal banking on analysis forecasts using the Korean data over the period of 2000 to 2008 and also found that analysis affiliated with the main banks of industrial companies covered tend to issue buy and strong buy recommendations less frequently than other bank analysts, which remain statistically significant even after controlling for company and analyst characteristics in multivariate analyses, and shows the results are consistent with superior information hypothesis in that the bank analysts make more accurate and conservative recommendations using the information generated by the main banks about the companies covered.

Christopher Onu Agbo Joel (2013) found that, the impact of universal banking on the performance of the banking sector concern with Nigeria for the period from 2001 to 2010. As above, main point to determine the extent to which universal banking affected the performance of banks in Nigeria. According to survey research technique and regression analysis to ascertain the impact of universal banking on the performance of the banking sector in Nigeria, the population was made up about the 24 banks in operation during the above period in which respondents were selected from each banks making a sample, and the sample size was determine using purposive sampling technique and also showed that universal banking enhanced real sector finding, reduction in bank faller and enhanced performance of banks in Nigeria, in other words, can say that universal banking was a major innovation in the banking sector in Nigeria, and recommended, between others, that banking reforms should be predicated on requirements and sufficient time should be allowed for adjustments and workability.

Colvin Christopher Louis (2007) showed the situation related with 20th century which is in favor of some financial systems with commercial and investment banking activities those were carried out by functionally separate firms, in others both types of
operation were conducted under one roof by universal bank. In the year of 1920s Netherlands experienced its own and only traditional some banking crisis which were since 1600 and after its short-lived experiment with a system of universal banking came to an end. On the base of calculating an equity deposit ratio panel for the big five Dutch banks which attempt to measure to what degree to sector evolved to become universal and subsequently returned to functional separation. Although, it conducts a matched pair comparison of two similar-sized banks operating in the Netherlands in the year of 1920s: the Amsterdamsche Bank and the Rotterdamsche Bank Vereeniging. While the first escaped the crisis relatively unscathed, the second required assistance from the Nederlandsche bank, the Dutch central bank. A new and detailed narrative of one episode of the crisis using as yet unused primary sources is developed for this comparison. At last, found that Rotterdamsche Bank Vereeniging was more universal than her Amsterdam rival because it concludes primarily this difference that caused her to suffer during the crisis. However, it does so with caution in view of the paucity of data to hand and methodological restrictions.

Damjanovic Tatiana, Damjanovic Vladislav and Nolan Charles (2012) focused on a stylized macroeconomic model is developed with an indebted, heterogeneous investment banking sector funded by borrowing from a retail banking sector. The Government guarantees retail deposits and also showed the financial factor can more very sharply from safe to risky investment strategies that the degree of competitiveness is important for risk premier. The benefits of universal banking rise in the volatility of idiosyncratic shocks to trading strategy. Therefore, the optimal degree of competitiveness of separate banking firms is lower than for universal banking.

Dash Priyadarshi and Bhole L.M. observed that, universal banking is rising like workable model of business for banks in India which gives functional diversification and also generates efficiency and productivity gains. Nationalized bank have been found less universalized compared to India private and Foreign Banks. It was also found that the
duration of 1997 to 2002 performance of foreign banks well as for as universal banking is concern.

**Deloof Marc, Roggeman Annelies and Overfelt Wouter Van**, investigated the impact of universal banks on the dividend policy of affiliated companies based on a unique sample of 428 companies listed at the time of pre-world war 1, Belgium are consistent with the hypothesis that companies with good investment opportunities and a bank director on their board paid higher dividends to establish a good reputation with investors and the companies with several bank directors and companies in which, the bank had an equity stake paid lower dividends.

**Dietrich Diemo and Vollmer Uwe (2011)** focused on contribution of universal banking to financial stability in Germany during the current financial crisis. Germany is a prototype for universal banking and has suffered from a rather small number of banking crises in the ancient times. We review the banking literature and analyze the major institutional and regulatory features of the German financial system to establish a nexus between universal banking and stability, and also focused on the following points such as (1) which banks failed and did they because they were universal or because of other reasons? (2) Which types of distress beside outright bank failures resulted from the crisis and how did German universal banks dealt with them? Therefore, showed the answer that only few German banks failed and these banks did so not because they were universal banks but because, they were publicly owned. Most banks instead contributed to reduce the impact of the recent crisis.

**Drucker and Puri (2005)** found that issuers derive benefits from concurrent lending and underwriting, which may also mean lending and underwriting in quick succession. In particular, their view is that both universal banks and investment banks compete for such deals, but through different channels, while universal banks are more likely to offer discounted yield spreads on concurrent loans, investment banks are more likely to discount the underwriter spread for a seasoned equity offering. Regarding the
former, the authors report that, unlike investment-grade borrowers, non-investment-grade borrowers receive significantly lower yield spreads on concurrent loans relative to matched non-concurrent loan yield spreads.

**Edwards Jeremy and Ogilvie Sheilohg (1996)** developed a relationship among universal banks and industrial companies which are widely regarded as a distinctive feature of the German economy and as having played an important part in German industrialization. According to view of Jeidels, Riesser and Hilferding its most influential exponent was Gerschenkron, who incorporated the supposedly crucial role of universal banks in German industrialization and he has analyzed the contribution of different institution to industrialization in backward economies i.e. investment finance to economic growth. Thus, can say that Germany exemplifies the ‘bank-based’ system of investment finance, which is superior to alternative systems, in particular the ‘market-based’ Anglo American system which is commonly encountered not only in historical analysis, but also in current policy debates, especially those concerning former centrally planned economies.

**Emmons William R. and Schmid Frank A. (1998)** observed about allocation of control rights and corporate finance in Germany in favor of universal banking. Thus, Corporate Governance practices differ greatly in the United States and Germany. It described the main institutional of the Germany Corporate Governance system. Resulted, focused on universal banks and codetermination. He also summarized existing empirical evidence which has investigated how and how well this system works.

**Esther Jeffers and Dominique Plihon (2012)** found that the financial crisis which broke in 2007 revealed the existence of a completely parallel funding system outside of regular banking, i.e. so called shadow banking system where different features specific to continental Europe make it difficult to just copy and apply the analysis of the United State shadow banking system to a reality i.e. different on the old continent. After examined this question in six parts which are, (1) the different definitions of the shadow
banking system, the activities it performs, the entities involved, and its size, (2) analyzed the distinctive features of continental European banks and their regulatory situations, (3) the financial position of universal banks gave rise to market-based banking, corresponding to a new form of financial intermediation,(4) the differences and similarities among the shadow banking systems in the US and Europe, (5) understanding interconnection in the shadow banking system is as important as understanding the conditions in which it emerged. Finally, (6) European shadow banking has been hybridized by certain innovations borrowed from US finance.

**Ferreira Miguel A. and Matos Pedro (2012)** investigated the effects of bank control over barrower firms by representation on boards directors or by the holding of shares through bank asset management divisions if used a large sample of Syndicated loans, find that banks are more likely to act as lead managers in loans when they exert some control over the borrower firms because during the period of 2003 to 2006 bank firm Government links are associated with hire loan spreads, and credit boom, but lower spreads during the period of 2007 to 2008 financial crisis. In addition to that these banks links mitigate credit rationing effects during the crisis, and after it, the results strong to several methods to correct for the simple problem of the bank firm Governance link it means, consistent with inter temporal smoothing of loan rates which advised about costs and benefits from banks involvement in firm Governance.

**Focarelli Dario, Ibanez David Marques and Pozzolo Alberto Franco**, evolved that a better understanding of the impact of commercial banks’ involvement on the securities business on the screening of all types of credit is warranted, because during the recent crisis that banks involvement in investment banking activities might have had an impact on the intensity of their underwriting standards and tern to evidence from the period prior to the revocation of the act of Glass-Steagall in the United State and analyzed whether investment banks or section 20 subsidiaries of commercial banks underwrote riskier securities. On average, securities underwritten by commercial banks’ subsidiaries have a higher probability of default than those underwritten by investment
houses, thus, resulted, that it is not possible to reject that the repeal of the Glass-Stegall led to looser credit screening by broad universal banking companies

**Geyfman Victoria and Yeager Timothy J. (2007)** suggested that, whether an economically significant differential exists in market-based risk and return between universal bank, banking organizations with investment banking subsidiaries and traditional banks, which allowed financial holding companies to participate freely in investment banking activities. Therefore, universal banks had higher return, but the increase in risk more than offsets the return, resulting in a lower risk-adjusted return. Universal banks exhibit lower risk and higher risk-adjusted return, particularly at banks with a greater degree of involvement in securities operations. The study suggested that the legislation has improved the risk-return tradeoff for universal banks for which other activities of universal banks unrelated to investment banking may also contribute to changes in their risk and return.

**Gorton Gary and Schmid Frank A. (1996)** analyzed the universal banking and the performance of German firms because universal banking is an alternative mechanism to a stock market for risk-sharing, for providing information and for guiding investment and also for contesting Corporate Governance. In Germany, where the stock market has historically been small, banks hold equity stakes in firms and have proxy voting rights over other agent’s shares, and also banks lend to firms and have representatives on corporate boards. If a banking relationship is a substitute for the stock market, then interaction with a bank should improve the performance of firms. But, if banks have private information about firms that they lend to have monopolistic control over access to external capital markets, then bank interests may conflict with those of other equity holders, especially those who shares are voted by the banks in proxy. For which empirically investigated the influence of banks on the performance of German firms taking account of banks equity holdings, the extent of banks proxy voting rights, and the ownership structure of the firm’s equity, and tested for conflicts of interest in bank
behavior whether the relationship among banks and firms has changed between the years of 1970 to 1980.

_Goswani Chandana and Deb Nilanjana (2010)_ highlighted global experience of diversification taken by the banking sector as well as the emergence of the universal banking. In India the commercial banking sector has been the dominant element in financial system of India and performed the key functions of providing liquidity and payment services to the real sector and also accounted for bulk of the financial intermediation process. Since the duration of 1990s the Indian banking sector subjected to various reform measures initiated by the Government at the backdrop of economy-wide structural adjustment programme, and also in response to the unsatisfactory economic and qualitative performance of the public sector banks. After it, financial sector reforms have uprooted many of the outdated regulatory fences within which banks were required to carry out their activities and due to this reason the effort provided more liberty to banks and banks started exploiting different areas of operation and also having substantial interests in all sorts of financial businesses like insurance, funds management, mutual funds, securities trading etc. and such a bank acquired the states of financial conglomerate and slowly began moving towards universal banking. Therefore, to trace the path of transition of Indian banks towards universal banking framework, their risk exposure, opportunities and challenges confronted in this process of transition and the regulatory system needed to monitor such entities.

_Guazzarotti Giovanni_, suggested that a model for the yield at issue of international bonds and test whether it varies with the type of bank, which does the underwriting, in particular an investment bank or a universal bank, for which clarify that universal banks underwrite bonds at lower yields than investment banks; moreover their advantage is higher when bonds are denominated in their home currency and have a lower rating, and found the suggestion that the certification role of securities underwriters is enhanced by universal banks relationships with domestic investors, like those developed through deposit taking and asset management.
Hakimi, Dkhili and Wafa (2012) studied the effect of universal banking on the base of Tunisian banking credit risk. In the duration of 1980-2010 Tunisian banks based on the panel data analysis method, and result showed that the universal banking increases significantly the credit risk and the level of competition is positively correlated but not significantly with the dependent variable while the GDP experts a positive and significant effect on the credit risk, but the effect of the inflation variable is not significant. Therefore, investigated the impact of universal banking on the banking credit risk an unbalanced panel data set of 9 Tunisian universal banking which are considered as the most active in the Tunisian banking system over a more recent period, thus, providing more appropriate and recent empirical evidence so focused solely on the effect of universal banking on the credit risk thus, universal banking can reduce the credit risk.

Hauswald Robert B. H. focused on the combination of commercial and investment banking natural universal financial intermediation, most advantageous transfer of control, modes of Corporate Governance and the structure of particular banking systems are developed in a two-stage game about investment in managerial resources by banks, financial contracting and most advantageous restructuring of companies. Its, showed about universal banking results in renegotiation-proof most advantageous mixed finance combined debt-equity contracts with reorganization and investment in organizational capital which leads to German method financial intermediation. Specific banking admits optimal contracts only in the case of separate but immediate debt and equity finance joint contracts and with non-duplication of investment in restructuring capabilities. Thus, universal financial intermediation is related to main-banking and some principles for reforming banking systems of economies in conversion are presented.

Holland C. P., Lockett A. G. and Blackman I. D. (1998) observed that the profitability of banks worldwide has been decreased for the period of 1980 to 1990. It has been attributed to several factors i.e. the decline of traditional banking activities means deposit taking and lending, poorly performing debts like arising from poor lending
decisions, and for domestic banks, depressed property prices and important local industrial sectors performing badly, and analyzed of bank performance tend to be short-term and narrow in their outlook and seldom attempt to explain the underlying trends and processes of change, thus, the broad competitive forces of information technology, globalization and deregulation are establishing the banking industry leading to irrevocable charges on a much greater scale than has occurred in the past. Therefore, these are illustrated using a range of different bank markets and these new markets different approaches are needed and a series of possible strategies for addressing new bank markets are outlined with reference to size and type of bank. As the above mentioned focused on the changing role of universal banks.

Hui Siew and Anthony Wong (2005) examined the costs benefits of effect of the entry of universal banks into the corporate debt securities markets and debt security issuances during the period of 1999 to 2004 at United States, that universal banks possess different underwriting technologies from investment banks and that enable to underwrite that securities at lower yield spread and lower gross spread which provides them with competitive advantage and helps to quickly gain significant market share from investment banks that have dominated the industry for the end of last century and potential conflict of interest from establishment of banking relationship among universal banks and other firms, and called for supervision and implementation of stricter firewalls from the regulatory body.

Jarhi Ali Al (2005) it shows the main component of Islamic banking which is one of the universal banking because Islamic banks provide finance to enterprise with sharing directory in the net results of their activities and financing their purchases of assets, goods and services on credit, means Islamic banks to hold equity in corporations and expect to appear on their Boards of Directors and called that universal banking as part of Islamic banking. Due to above mentioned it comes from banking theory, microeconomic and monetary theory as well as empirical studies which is concern with banking practices. In other words, universal banking on its own is a sound practice that can offer
developing countries special advantages and important because many of the Islamic countries where believers in Islamic banking reside are developing and help full and it contents universal banking give a helping hand in the process of development.

Johnson William C. and Westberg Jennifer Marietta (2009) found that, during the period of 1993 to 1998 Initial Public Offers firms use asset management funds like vehicles to help them, earn more equity under writing business and asset managers affiliated with Initial Public Offers (IPOs) underwriters use their superior information in favor of their own institutions and to earn annualized market adjusted returns.

Jun-Koo Kang and Wei-Lin Liu (2007) resulted the extent to which universal banking in Japan creates conflicts of interest and also showed, that as banks enter the securities business, banks discount the price of the corporate bonds and underwrite significantly in an effort to attract investors, thereby generating conflicts of interest that are harmful to issuers, means close prior lending relationships among banks and their customer issuers is the driving force behind such conflicts and that competition from investment houses limits but does not eliminate these conflicts.

Klein Peter G. and Zoeller Kathrin (2001) found that, conflicts of interest associated with relationship banking. Used a sample of 306 German initial public offers and if universal bank underwritten IPOs perform differently from other IPOs, found that universal-bank affiliation is correlated with higher first-day returns “under pricing” but uncorrelated with long-term performance, and suggested that under pricing compensates for potential conflicts of interest, and also found that preexisting bank relationships, rather than issuer characteristics, appear to determine the choice of underwriter.

Kraujalis sarunas (2001) found that, integration of Lithuania to the European Union increases openness of its economy and gives an impulse to create financial and legal system aligning with the leading European countries. The universal German
banking market conditioned more universality in Lithuanian banking system. Initially securities and insurance business was partly restricted for banks in Lithuania, but restrictions are gradually diminishing, and analyzed the main positive and negative effects of commercial banks expansion into securities and insurance market. Thus, discussed how universal banks should be supervised to ensure stability and reasonable profitability of banking activities etc.

Krishnan Karthik (2006) found that, two potential incentive problems with banks when they underwrite public security issues of their loan customers, and analyzed loans borrowed by their customer firms after they issue public debt. Contrary to the tying hypothesis, according to which banks restrict credit to firms that do not give them underwriting business, and also found that banks are 21% more likely to lend again and give yield discounts to firm if the banks have underwriting capability, even if they were not chosen to underwrite previously. Banks try to continue relationships with such firms possibly with the intent of obtaining future underwriting business. Contrary to the conflict of interest hypothesis, which advised that, banks unload bad loans from their books by underwriting public issues for such firms thus banks are 21.5% more likely to lend again to a customer firm after underwriting their debt issue. These firms face a lemon’s premium of switching lenders when they use their prior lender to underwrite their public debt issue and therefore, prefer to stay with their existing lender. The adverse selection costs priced by the new lenders are rationally revealed in the ex-post performance of switchers. Thus, indicates that banks are able to produce incremental information through the underwriting process.

Kroszner and Rajan (1994) studied on universal banking in the United States before 1933 revealed that bank affiliates (security affiliates) underwrite higher quality issues and the affiliate-underwritten securities performed better than the issues underwritten by independent investment banks.
Kroszner Randall S. and Rajan Raghuram G. (1993) revealed that the period before the year of 1933, commercial banks and their securities affiliates competed directly with investment banks in the business of originating and underwriting securities. According to the Glass-Steagall act of 1933, ended this competition by legislating the separation of commercial and investment banking in the United State, and estimated the arguments made at that period for Glass-Steagall which essentially remain unchanged at present because of conflicts of interest, commercial banks systematically fooled the public into investing in low quality securities. He tested the same with comparing the relative performance of securities offered by commercial banks with those offered by independent investment banks prior to the Act. Therefore, found no evidence that commercial bank securities affiliates systematically fooled the public. Instead, the public appears to have rationally accounted for the possibility of conflicts of interest and that this constrained the underwriting activities of the bank affiliates.

Lepetit Laetitia (2002) analyzed the effects of bank equity stakes in firms on bank risk and on welfare. Which determine the likelihood that financing a firm at the same time with both equity investment and loans increases the risk of a bank’s asset range under conditions of imperfect information? In which, there is a negative relationship between the risk of a universal bank’s asset range and its level of equity investment as long as the latter does not exceed a critical threshold. Next is to compare bank risk and the value of the investment associated with stylized universal and specialized banking systems. So, each system has advantages and disadvantages in terms of bank risk and investment, which are formally outlined.

Lili (2007) suggested the relationship among universal banking and firm performance included 40 developed and developing countries, and found that the overall effect of universal banking on growth was negative. It suggested that the negative effect of conflict of interest dominated the positive effect of economies of scale and scope of universal banking. However, in countries with higher information efficiency, conflict of interest is less likely and negative because relationship between universal banking and firm growth is significantly weaker.
Lin Chih Pin, found that, universal banking, or the practice of providing multiple financial services under the same roof, has various findings and synergies in universal banking, while others have got conflicts of interest. Drawing on institutional-based view, I assume that universal banking in emerging economies such as Taiwan gives rise to conflicts of interest. For this reason market-supporting institution in emerging economies are less developed, universal banking there are more likely to result in conflicts of interest.

Loranth Gyongyi and Morrison Alan D. (2011) examined the tying of lending to investment banking business by universal banks, because tying may alleviate credit rationing by assuring the lender of an adequate share of the social surplus that its lending generates however tying raises the profitability of loans to troubled entrepreneurs, softening entrepreneurial budget constraints and reducing effort levels. Thus, investment banking is uncompetitive the former effect dominates, and there is too little tying and resulted to the authority structure of the universal bank is the appropriate focus for regulations.

Mamun –Md. Al (2012) focused on deregulation in the year of 1990s in various parts of the world along with other types of changes in the banking rules and regulations i.e. relaxing of Glass-Steagall Act 1933 in USA, financial system reform Act 1993 in Japan etc. During the same time, most banks in Europe, USA and Japan as well as in developing world have tried to pursue the policy of universal banking system. Even though there has been growing number of academic literatures highlighting its pitfalls i.e. universal banking trend reduces the specialization, increases risk exposure, increases cost structure etc. Still this trend continues to grow till to date to accommodate every single customer vis-à-vis every single business opportunities. The financial sector reform program both in Bangladesh and in India in 1990s has also provided the same platform to the banking industry of respective country. Therefore, with a sample of 60 commercial banks aims as exploring the status of commercial banking activities in their trend towards universal banking practices in the respective countries. Therefore, result highlights that,
there are significant differences among the status of Bangladesh and Indian commercial banks trend toward universal banking, with the latter one clearly ahead of the earlier.

**Mann Yogendra Nath (2013)** revealed a well known fact is economic growths implies a long term rise in per capita national output and such increases are very much associated with drastic and extraordinary changes in technology, institutional set up, psychological environment, organizations behavior, socio culture and attitude of common people. For social development economic growth is necessary and for economic growth industrialization is essential and for industrial growth efforts, capital and knowledge are three important elements and among these element capital is the most crucial component. The universal banking emerged as a new mechanism to perform this function as a financial supermarket with diversified range of financial product under one roof. Corporate can get loans and advances, can deposit fund, can avail other handy services from these multipurpose financial institutions. Generally, it is found that society trust public sector banks in comparison to private or foreign banks. Thus, public sector banks have to explore the potential of the trust and have to transform themselves into efficient universal banks. Social sector and private UB must launch attractive and protective financial product, services and financial schemes which may be flaxy and tax saving. They must develop protective ring fence in which they have to maintain enough capital and liquidity in order to support each business without any discrimination. All the universal banks have to be transparent and loyal to the customer and have to develop confidence in society in order to attract investment in their banks. Regulators and Regulatory bodies have to be effective and efficient in implementing the policies, rules and regulation time to time in order to control the financial crimes.

**More Prof. Dr. J. B. (2010)** observed that impacts of universal banking that UB refers to those banks which offer a wide range of financial services, including investment banking, commercial banking, insurance etc. and it includes not only services related to savings and loans but also investments and insurance so universal bank doing the traditional banking of excepting deposits and providing loans, bill offer, insurance
products, mutual funds, advisory services and a number of investment banking products. Universal banking is one of the latest functional banks. In other words, universal banking environment is marketing and selling various financial products and also promotes the business for Government of India by marketing and selling Government bond, infrastructure bonds etc.

Neuhann Daniel and Saidi Farzaed (2012) observed that increases in firm level volatility of publicly traded companies in the United States to the rise of universal banking, and classify among financial intermediaries which become universal banks through mergers with investment deregulatory shocks to the scope of their banking activities to indentify the effect on firm risk and found that firms funded by universal banks deeply relationship between banking and cross-selling, and also to increased efficiency of financial intermediation by universal banks, thereby constituting a novel link among financial development and growth. Universal bank is a key contributor which estimates to account for up to three-quarters of the increases in firm-level volatility and productivity.

Overfelt Wouter, Van Annaert Jan, Ceuster Marc De and Deloof Marc (2005) revealed the impact of universal banks of both the performance and the risk of universal bank affiliated companies in Belgium and that was the first country in continental Europe where the industrial revolution took off and economic historians. Due to some weak legal-system and the poor-investor protection arguably bear resemblance to the current economic situation in many developing countries and the period of 1907 was marked by a financial crises but it was strikingly similar to some crises experienced in 1990. Universal bank affiliation had a positive impact on the market-to-book ratio and return-on-assets. Actually, universal banks significantly reduced the volatility of return-on-assets and also stock return performance, measured by the sharp ratio, significantly better for affiliated corporations.
Parthasarathy Harini (2007) criticized to universal banking deregulation and firms choices of lenders and equity underwriters because empirically examined whether firms engage in one-stop shopping for loans and equity underwriting, following the relaxation of regulatory restrictions and also found that large rated firms often obtain both these services from the same financial intermediary, like one-stop shopping remains rare among smaller unrated firms. It showed that this difference is because unrated firms borrow from geographically proximate, commercial banking lenders. Conversely in the nationally integrated equity underwriting market, unrated firms value the intermediary’s distribution capabilities more than lending relationships or proximity. For which suggested that universal banking has not improved access of more solid firms to the equity market.

Puri (1996) and Ber et al (2001) found that, the value addition in bank underwriting of securities in the market which has been the exclusive preserve of investment banks. This particular piece of finding rejects the classical notion of comparative advantage in specialization. Even though banks primarily deal in intermediation, there is scope for enhancement from functional diversification too. In the changing market environment, besides intermediation banks and other financial institutions are trying to strategically identify their business models to reap the benefits of functional diversification.

Puri (1996) Saunders and Stover (2004) and Kroszner and Rajan (1994), identified that the joint provision of services in universal banks may not lead to conflicts of interest thereby refutes the benefits of specialized banks. Despite potential for better performance, universal banking also higher levels of risk and regulatory burden. From the experiences of other countries, the risk exposures of universal banks generally exceed the risk levels of specialized banks.

Rich Georg and Walter Christian (1993) found that, universal banks have long played a leading role in Germany, Switzerland and other continental European Countries
including United States and also most of these countries have lowered the barriers among commercial and investment banking, but they have refrained from adopting the continental European system of Universal Banking, and analyzed the German and Swiss experience with regard to universal banking and gave opinion about salient characteristics of the German and Swiss banking systems, and attempt to rectify various misconceptions about universal banking.

**Rime Bertrand and Stiroh Kevin J. (2001)** found the importance of accounting for the broad range of activities that universal banks undertake, e.g. failure to account for off balance sheet items, trading, and brokerage and portfolio management activities leads profit efficiency to be dramatically understand, and found evidence of economies of scale for small and mid-size banks, but little evidence that significant scale economies remain for the very largest banks. Finally, evidence on scope economies is weak for the largest banks that are involved in a wide variety of activities, and suggested some obvious benefits from the trend toward larger universal banks.

**Ross David Gaddis (2006)** suggested that used principal-agent model to analyze economies of scope in financial intermediation and showed that, when combined with lending, traditional commercial banking, non-lending services may reduce the expected cost of banker compensation by serving as a monitoring technology and also combining lending with traditional investment banking services i.e. universal banking may significantly increase the cost of banker compensation unless the banker is not required to screen borrowers. Therefore, suggested that specialist intermediaries may often be more profitable than universal banks and that the latter may not screen borrowers as intensively as pure lenders.

**Saunders and Stover (2004)** measured the performance of industrial revenue and pollution control bonds for the period from 1987 to 1998 in the United States, and found
that yield spreads for the bonds underwritten by commercial banks were on average 1.71 basis points higher than those for investment bank offerings.

Shen Chung Hua (2003) suggested the cost efficiency of bank in a Partial Universal Banking System (PUBS), Taiwan, instead of assuming one common technology in the bank cost function. Two technologies are assumed to be imbedded in the cost function. Fee revenue are used as threshold to divide the banks into two technologies, for which a bank whose fee revenues exceeding the threshold is designated as universal bank technology while falling below the threshold is designated as traditional deposit loan technology. The panel smooth transaction model is adopted, which allows banks to smoothly adjust among the two technologies, in other words, can say, a panel smooth transaction model yield more responsible results than the conventional and random effect of panel data approach. Thus, suggested two criteria are over banking and the trend-toward-fee revenues, to assess the new model’s performances.

Singhal Rahul (2012) found that universal banking is a superstore for financial products under one roof, which corporate to get loans and avail of other handy services, while can deposit and borrow. It means, in India a lot of opportunities are there to be exploited, because banks especially the financial institutions, are aware of it, and most of the groups have plans to diversify in a big way. Even though there might not be profits forthcoming in the short run due to the switching costs incurred in moving to a new business, it also shows the potential of universal banking for Indian market and future prospects with universal banking. India’s banking sector follows closely the global trend of financial developments. Therefore, the concept of financial supermarkets could play a significant role in future given that an increasing number of transnational companies have been set up in the region and also by the opening of Indian banking sector to foreign players.

Singhle Renu (2013) found that universal bank is a place where all financial products are available under one roof because universal banking is the faster growing
sector of the banking industry which attends directly the requirements of the end customers, is having glorious future in coming years and the term universal banks refers to those banks which offer a wide range of financial services, beyond commercial banking, investment banking, insurance etc. which corporate can get loans and avail of other handy services while individuals can bank and borrow. In India, universal banking sector as a whole which is facing a lot of competition ever since financial sector reforms. Banks are now competing for increasing their business. The issue of universal banking resurfaced in India in the year of 2000, today, they are able to attract and gain more volumes simply because they meet their customer’s requirement better than anyone else and this is the reason that there is need for constant innovation in universal banking.

Singh Jaspal and Kaur Gagandeep (2011) found that, the purpose, design / methodology / approach and implementation etc. for them will clarify that to determine the factors which have an impact on customer satisfaction as regards the working of select Indian universal banks and conducted survey method and data were collected with a well structured questionnaire from a sample of near about 456 respondents. It shows the satisfaction of customer which is influenced with seven factors, employee responsiveness, appearance of tangibles, social responsibility, services innovation, positive word-of-mouth, competence and reliability etc. Thus, clarify that its study is quite useful for understanding and comprehending the changes in customer banking behavior, so to enable the policy makers to develop appropriate and adoptive strategies and provides determinants of customer satisfaction.

Staikouras Sotiris K., Harissis Haris, Merikas Andreas G. and Mutenga Stanley (2009) investigated the interface between the banking and insurance sector. The empirical findings are based on well-known financial intermediaries taken from an international sample, and also investigated employs an event study methodology to evaluate the equity performance of these institutions. The magnitude and sign of equity returns appear to differ among the particular cases examined. Some firms exhibit considerable abnormal returns, while others remain passive to any corporate restructuring.
revelation, or even undrape stock market losses. In many cases, the latter is associated with the overall economic environment, and with investments which are not compatible with the general banking philosophy of fast growth within short-term horizons. Based on equity returns, the bank-insurance interface seems to be the most preferable business restructuring while insurance divestments and horizontal mergers, among financial intermediaries, do not perform as profitably as expected.

Sotelino Fernando B. and Gonzalez Rodrigo B. (2013) focused about the characteristics of the international incursions by banks since the year of 1990s, after examines the implications of the United State of subprime meltdown crisis and ensuing credit crisis for the pursuit of international banking activities, and provides a strategic framework for the decision making by banks regarding the scope of their international operations in near future and can clarify that international banks, while remaining loyal to universal banking in terms of scope of activities, will tend to become much more selective regarding the reach of the choose set of financial services activities to be pursued internationally.

Sul wonsik and OH Joon Seok, found about the superior performance of universal banks as German type because, theoretically it is usually that German-type universal banks, using in-House diversification strategies, may get more economics of scope than other types of universal banks, like as United kingdom and United States banks do by adopting the way of branches or holding companies. Actually, the financial systems of major countries have a tendency to more toward the universal banking system; each country selects one of the various types of financial systems. Therefore, the purpose of the deals with the difference in financial systems resulted in a difference performance because; theoretically German-type universal banks can make the best advantage of economies of scope. For which, tried to verity whether German-type universal banks are really superior in performance to other types of universal banks, and also showed the results that the German-type universal banks performance is less than other types of universal banks contrary to theory.
Uyagu Benjamin David (2011) found that, the impact of universal banking on the performance of deposit money banks in Nigeria, and also found ex-post facto research design and data were obtained through secondary sources from fact-book of the Nigerian Stock Exchange (NSE) and the annual reports and accounts of six banks purposive/judgment sampling method. Thus, found the universal banking had significant impact on the capital adequacy ratio and return on assets of banks while it had no significant impact on the asset quality ratio and liquidity ratio of banks in Nigeria over the period of 1992 to 2009 duration and also found that Nigeria deposit money banks performed better under core banking scheme than that of universal banking. Therefore, recommended among others that Nigerian deposit money banks should be less complaint to universal banking scheme.

Vennet Rudi Vander (1998) analyzed that contrast to the United State where universal banking is legally prohibited, the Second Banking Directive has allowed European banks to form financial conglomerates and hold equity stakes in non-financial companies. Therefore, the question rose whether these conglomerates and universal banks are an efficient organizational structure. Thus, analyzed the cost and profit efficiency of European banks subdivided according to their degree of diversification, conglomeration, and universality, and also found that financial conglomerates are more revenue efficient than their more specialized competitors and that the degree of both cost and profit efficiency is higher in universal banks than in non-universal banks. Therefore, indicated that the current trend towards further de-specialization may lead to a more efficient banking system. At last, the profit regressions show that operational efficiency has become the major determinant of bank profitability and that oligopolistic rents have become less prevalent in European banking.

Walter Ingo, found that the historical development, organizational structure, and strategic direction of universal banks in essence constitute multi-product firms that are active in the financial services sector. Indeed, within their home environments, universal banks effectively target most or all customer segments, and make an effort to provide
each with a full range of the appropriate financial services. Outside the home market, they usually adopt a narrower competitive profile, in the majority of cases focusing on wholesale banking and securities activities as well as international private banking rarely building a retail presence in foreign environments as well. This stylized profile of universal banks presents shareholders with a combination of more or less distinct businesses that are linked-together in an unusually complex network which draws on a set of centralized financial, information, human and organizational resources. Means issue for the investor is whether shares in a universal bank represent an attractive asset-allocation alternative from a perspective of both risk adjusted total-return and range efficiency. Thus, an important bearing on the universal bank's cost of capital and therefore its performance against rivals with a barower business focus in increasingly competitive markets. Therefore, consider these issues within a straightforward conceptual framework. It begins by adding to the adjusted book value of a universal bank's equity a number of building-blocks that ultimately determine the market value of its equity.

Walter Ingo and Saunders Anthony (2011) observed that consolidation has been a fact of life in the wholesale financial services sector, for which resulted in fundamental change in the financial architecture and public exposure to systemic risk, and underlying drivers include advances in transactions and information technologies, regulatory changes, geographic shifts in growth opportunities, and the rapid evolution of client requirements. Therefore, financial sector reconfiguration has accelerated as a result of the global market turbulence that began in the year of 2007, with Governments either forcing or encouraging combinations of stronger and weaker financial firms in an effort to stem the crisis and improve systemic robustness. In the process, financial firms that are systemic in nature and had a major role in creating the crisis have come out of it with even larger market shares and greater systemic importance. Thus, socialization of risk in the form of widespread use of public guarantees to firms judged too big or too interconnected to be allowed to fail, the role of systemically important financial institutions is central to the financial architecture and the public interest going forward.
Zafar Dr. S.M. Tarig (2012) showed that to maintain equilibrium among demand and supply in present global economic revolution, technological and metamorphic environmental developments inside and outside the political boundary which has a necessity of banking revolution which can efficiently mobilize and productively utilize public savings. Actually, the universal banking emerged as a new mechanism to perform this function like financial supermarket with diversified range of financial product under one roof. Therefore, to explore potential multipurpose financial institutions / universal banking in respect to Indian market and their future in long run in deregulated an intensified competition among banks and non banking financial intermediaries. Thus, expected that the modern banking concept of financial supermarkets will play effective role in bridging the financial gap and also expected the healthy competition among domestic and international financial giant will be advantageous for customers due to new high breed financial product and specialized services.

1.1 Need of the Study

Universal Banking provides a wide range of services and products to the customers. Importance of universal banking concept due to its effective features, efficient economic services, high output, lower cost and better products and offerings has gained surprising success. This importance and utility of the banks become the effectiveness and banks able to maximize its earning and returns. At present banks are not only providing commercial services to its customers but they are also providing some other services which make banks as universal banks. Deposits and investment are not restricted to customer savings and need of the borrower but these can be invested in the financial products not only in the domestic market but in the international market, and lend and borrow from or to international customers. There is a great need to see the correlation between profit of the universal banks and amount of deposits and investment. Therefore, the margin of profit can be calculated from the commercial and universal banking view point. In India there are both private and public sector banks and the services and products which these banks are providing may be different. In our study we have selected one bank from Public
Sector and other from the Private Sector. Thus, comparison can be made which one is efficient by offering universal banking services and see the relationship. There was also necessity to understand the profitability and efficiency position of both the sample banks and to check which one is more profitable and managing its deposits and investment in which services other than commercial banking services are contributing.

1.2 Objectives of the study

1. To identify the various factors which affect universal banking in India.
2. To check the relationship of universalisation on efficiency and profitability of State Bank of India.
3. To check the relationship of universalisation on efficiency and profitability of ICICI Bank.
4. To compare the efficiency and profitability of State Bank of India and ICICI Bank.

1.3 Hypothesis

1. \( H_01: \) There is no effect of Net profit margin, Return on Long term funds, Return on Net Worth and Return on Assets on EPS of State Bank of India.
2. \( H_02: \) There is no relationship between deposits and investments of State Bank of India.
3. \( H_03: \) There is no effect of Net profit margin, Return on Long term funds, Return on Net Worth and Return on Assets on EPS of ICICI Bank.
4. \( H_04: \) There is no relationship between deposits and investments of ICICI Bank.
5. \( H_05: \) There is no significant difference between Net profit margin and Return on Long Term fund of State Bank of India.
6. \( H_06: \) There is no significant difference between Net profit margin and Return on Net worth of State Bank of India.
7. \( H_07: \) There is no significant difference between Net profit margin and Return on Long Term fund of ICICI Bank.
8. $H_0$8: There is no significant difference between Net profit margin and Return on Net worth of ICICI Bank.

1.4 Sample Design

1. **The study**: The study is empirical in nature.
2. **Sample size**: Two highest capitalization banks one from public sector (State Bank of India) and one from private sector (ICICI Bank) were selected as sample.

1.5 Tools For Data Collection

Data have been collected from secondary sources and this data have been collected from Annual Reports of the State Bank of India and ICICI Bank. The data from Handbook of Statistics on Indian Economy published by the Reserve Bank of India have also been used appropriately in relevant parts of the analysis.

1.6 Tools For Data Analysis

For the purpose of the study, we have applied one sample independent t-Test to check the significance difference between two means, Correlation to check the relationship between two means and regression analysis to check the impact of one variable on another. We have also used bar diagrams and tables to interpret the financial data.

**********