CONCLUSIONS

&

SUGGESTIONS
DEPOSITS

Public Sector Banks has increased their deposits by 17.60% during the year 2000-2001. A growth rate of 12.73% can be observed in the year 2001-02. In the year 2002-03, PSBs recorded a growth rate of 12.04%, and during 2003-04 the growth rate is 13.49% accounting to Rs. 1190115 crores, when compared to the previous year 2002-03.

Nationalised banks recorded a growth rate of 14.64% in 2000-2001 and 12.70% in 2001-2002. Nationalised banks have recorded a growth rate of 12.13% in 2002-03 and 15.22% in the financial year 2003-04, accounting to Rs. 766045 crores, ever high growth rate since 1999-2000. SBI group has increased its deposits by 23.10% during the year 2000-01. SBI group has recorded a growth rate of 12.77% in 2001-02, 11.88% during 2002-03 and in the year 2003-04 by 10.50% worth Rs. 424270 crores.

The study reveals that State Bank of India is maintaining more deposits and Punjab and Sindh bank with less deposits. United Commercial Bank has showed a remarkable growth by increasing its deposits by 121.38% in five years. Punjab and Sindh bank has stood last in deposits with an increase of 29.23%. State Bank of India and its associates have shown a positive growth rate of 71.61% and Nationalised banks also recorded a positive growth rate of 66.92% during the period of 1999-2000 to 2003-04.

ASSETS

During the financial year 2000-01, PSBs has increased their assets by 16.66%. PSBs recorded a growth rate of 7.23% in 2001-02, 11.24%, in 2002-03. In the year 2002-03, the growth rate is 14.49% accounting to Rs. 1471427 crores, when compared to the
previous year 2002-03. Nationalised banks recorded a growth rate of 14.03% during 2000-2001 and 6.56% in the year 2001-2002. These banks have recorded a growth rate of 12.06% in 2002-2003, and 16.54% in the financial year 2003-04, accounting to Rs. 922171 crores, ever high growth rate since 1999-2000. SBI group has increased its assets by 23.10% in 2000-2001. SBI group has recorded a growth rate of 8.31% in 2001-02, 9.94% during 2002-03 and during the year 2003-04 by 11.20% worth Rs. 549256 crores.

The study illustrates that Punjab and Sind Bank is maintaining with less total assets, where as State Bank of India is maintaining with maximum total assets. State Bank of Patiala has increased its total assets by 111.87% in five years. Bank of Maharashtra has increased its total assets by 102.85%. State Bank of India and its associate banks have shown a positive growth rate in total assets with 60.36%. Nationalised banks have recorded a positive growth rate of 58.69. In short, PSBs have recorded a positive growth rate of 59.31% during the period of 1999-2000 to 2003-04.

OPERATING EXPENDITURE

In the financial year 2000-2001, a maximum increase in Operating expenditure can be observed with 25.24% from the previous year. During the year 2001-02 PSBs has recorded a decrease in Operating expenditure with a negative growth rate of -9.63%. In the year 2002-03, PSBs increased their Operating expenditure by 8.37%. and in 2003-04, PSBs has increased their Operating expenditure by 13.11% accounting to Rs. 32373 crores, when compared to the previous year 2002-03. Nationalised banks recorded a maximum increase of Operating expenditure with 22.06% in the year 2000-2001. During the year 2001-02 Nationalised banks has recorded a decrease in Operating expenditure
with a negative growth rate of -6.87% and an increase of 7.59% in 2002-2003. In the financial year 2003-04, a growth rate of 11.07% in Operating expenditure, accounting to Rs. 20232 crores can be noticed. SBI group has increased its Operating expenditures during the year 2000-2001 by 30.87%. During the year 2001-02, SBI group has recorded a decrease in Operating expenditure with a negative growth rate of -14.17% and an increase of 9.77% during 2002-03. In the year 2003-04 Operating expenditure is increased by 16.67% worth Rs. 12142 crores.

The study shows that Corporation Bank is maintaining less Operating expenses and State Bank of India with highest operating expenses. State Bank of India and its associates, State Bank of Saurashtra reduced its operating expenses by 22.98%. Dena Bank has reduced its operating expenses by 16.46. SBI and its associates have recorded a negative growth rate of 43.86%. While Nationalised banks have recorded as 35.84%.

In brief, PSBs have recorded a negative growth rate of 38.74% during 1999-2000 to 2003-04.

NET PROFIT / LOSS

In the financial year 1999-2000, an increase of 57.29% in profit of PSBs can be observed. During the year 2000-01 PSBs has recorded huge losses at a rate of -15.62% and in the year 2001-02, PSBs increased their Profit at maximum by 92.30% since 1999-2000. During the year 2002-03, PSBs has increased their Profit by 48.14% accounting to Rs. 12295 crores, Nationalised banks recorded an increase of 36.69% profit in the year 1999-2000. During the year 2000-01 Nationalised banks has recorded huge losses at a
rate of –14%. Nationalised banks have recorded a maximum increase of 131.50% in 2001-2002 and an increase of 60.49% in the financial year 2002-03, accounting to Rs. 7784 crores can be observed. SBI group has increased its Profits 82.74% in the year 1999-2000. During the year 2000-01 SBI group has recorded a loss at a rate of –17.10%. SBI group has recorded an increase of 55.32% during 2001-02 and during the year 2002-03 by 30.77% worth Rs. 4511 crores.

The study explains that United Bank of India is maintaining with more net profit and Punjab and Sindh Bank with less net profit. United Bank of India showed a remarkable progress by increasing its net profit/losses by 1933.33% in five years. Punjab and Sind Bank has recorded a negative growth of 92.86% in five years. SBI and its associates have shown a positive growth rate of 207.71%, where as Nationalised banks have recorded a positive growth rate of 335.83%. On the whole, PSBs have recorded a positive growth rate of 278.08% during 1998-99 to 2002-03.

OPERATING EXPENDITURE Vs. NET PROFIT

In totality, the operating expenditure increased up to 2000-2001, it decreased during 2001-2002 and then increased during 2002-2003. Net profit has decreased during 2000-2001 and is increasing continuously after 2002. In most of the banks, a direct relation is observed in terms of operating expenses and net profit. Indian bank and Dena bank incurred losses by increasing their operating expenditure during 2000-2001.
BRANCHES

The study states that India Bank is maintaining with lowest number of branches in number and Corporation bank with more number of branches. Indian Bank has showed a negative progress of branches by 8.02% in five years. Union Bank of India has showed a negative progress by 5.43% in five years. State Bank of India and its associates have shown a positive growth rate of 1.10%. Where as Nationalised banks have shown a positive growth rate of 1.68%. In its entirety, PSBs have recorded a positive growth rate of 1.51% during 1999-2000 to 2003-2004.

STAFF

The study clarifies that Dena bank is showed progress by reducing its staff in number by 28.21% in five years. Syndicate Bank has reduced its staff in number by 22.66% in five years. SBI and its associates have shown a negative growth rate in staff with 11.05%. Where as Nationalised Banks have recorded a negative growth rate of 15.43%. To conclude with, PSBs have recorded a negative growth rate of 13.85% during 1999-2000 to 2003-04.

NPAs

Among State Bank of India and its associate banks, State Bank of India stood first with more NPAs. SBI recorded maximum NPAs during the year 2000-01 with RS.7025
crores. It has recorded minimum of Rs.6142 crores during the year 1998-99. In the five years i.e. from 1998-99 to 2002-03 a change of 0.36% is observed in NPAs of SBI. Where as State Bank of Indore stood last with less NPAs. It has recorded a maximum of Rs. 230 crores during the year 1998-99 and during 2002-03 it has recorded a minimum of Rs. 138 crores. In the five years i.e. from 1998-99 to 2002-03 a change of -40.07% is observed in NPAs of State Bank of Indore.

From Nationalised banks Bank of India stood first with more NPAs. It has recorded a maximum of Rs. 2383 crores during the year 2002-03. It has recorded a minimum of Rs. 1883 crores during the year 1998-99. In the five years i.e. from 1998-99 to 2002-03 a change of 26.56% is observed in NPAs of Bank of India. Where as Corporation bank stood last with less NPAs, it recorded a maximum of Rs. 253 crores during 2001-02 and during 1998-99 it recorded a minimum of Rs. 130 crores. In the five years i.e. from 1998-99 to 2002-03 a change of 53.98% is observed in NPAs of Corporation Bank. Though positive growth rate is recorded in five years, still it is maintaining least NPAs.

The study clearly shows that corporation bank is maintaining less NPAs and State Bank of India is suffering with more NPAs. State Bank of Patiala has showed remarkable progress by reducing its NPAs by 60.88% in five years. Indian Bank has reduced its NPAs by 56.15% in five years. SBI and its associates have shown a negative growth rate in NPAs with 11.48%. Where as Nationalised banks have recorded a positive
growth rate of 3.29%. In short, PSBs have recorded a negative growth rate of 1.82% during 1998-99 to 2000-03.

**NPAs in Priority Sector Lending**

It is seen from the sectorwise NPAs data that as on March 1995, of the Rs.38,385 crore NPAs of the PSBs, priority sector lending contributed 50.1 per cent, non-priority sector contributed 46.53 per cent and the remaining 3.4 per cent by public sector units. As on March 2002, of the total NPAs of Rs.56,507 crores, non-priority sector contributed 53.5 per cent, priority credit 44.5 per cent and hardly 2 per cent by public sector units. This picture has changed in 2003. The gross NPAs of the PSBs has come down from Rs.53,507 crore in 2001-02 to Rs.52,807 crore in 2002-03 (a reduction of Rs.3,700 crore). Overall, the percentage of NPAs to priority sector to gross NPA as on March 2003 was 47.2 per cent which is similar to the level of March 1997. In 2003, an amount of Rs.24,939 crore (of gross NPA Rs.52,807 crore) was contributed by priority sector. The share of NPAs in non-priority sector has been around 51 to 54 per cent during last few years. The reduction of percentage share of NPAs in priority sector to gross NPA from 50.1 per cent to 47.2 per cent during the reference (1995 to 2003) is a positive change, though not a happy situation, particularly in 2003, as during the last 2-3 years, there is severe drought in large parts of the country.

**Quality of Customer Service**

1. Type of Account:

95% of the rural respondents are having Savings Bank account and 5% of the respondents are having Current Account. Whereas in Urban 77% of the respondents are
operating Savings bank account and 14% Current account. In its entirety, 86% of the respondents are operating Savings account and 14% are operating Current Account.

2. Factors influencing Bank Selection:

34% of the rural respondents rated for proximity of the branch as highly influencing factor for opening an account, followed by 16% and 14% for Staff attitude and Customer services respectively. Whereas in Urban 34% of the respondents rated for Proximity of the Branch, as highly influencing factor, 21%, 11% and 8% of the respondents have rated for Customer services, Staff attitude and Easy Processing respectively. In short, 34.6% of the respondents rated for Proximity of the branch as highly influenced factor in selecting a bank and 14% for Staff Attitude.

3. Period of Account Maintenance:

37% of the rural respondents said that they have been operating the account for more than 6 years. 29% respondents for Less than 2 years and 16% are for 4-6 years. Whereas in Urban 48% of the respondents said that they have been operating the account for a period less than 2 years and 27% for above 2 years and below 4 years period in maintaining their account with the bank. In brief, 38.5% of the respondents are rated for Less than 2 years and 24%, 22% respondents are rated for Above 6 years period and above 2 years – below 4 years period of account maintenance respectively.

4. Deposit Holders:

11.43% of the rural respondents are having Fixed Deposits and 7.14% of the respondents are having Recurring Deposits. Whereas in Urban 17.14% of the respondents are having Fixed Deposits and 1.43% of the respondents are having
Recurring Deposits. To conclude with, 14.29% of the respondents are having fixed deposits and 4.29% of the respondents are having Recurring Deposits.

5. Loan Holders:

26.29% of the rural respondents are having Agricultural loans, followed by 9.42%, 4.57% and 4.57% for Personal loans, General loans and PMRY loans respectively. Where as in Urban, 7.14% of the respondents are having Vehicle loans and 4.57% of the respondents are having Home loans. To state with, 13.86% of the respondents are having Agricultural loans, 5.85% and 4.86% of the respondents have taken Personal loans and Vehicle loans respectively.

6. Locker Facility:

28.57% of the branches are providing Locker facility in rural areas where as in urban it is 57.14%. As a whole, only 42.86% of the branches are providing Locker facility.

7. ATM Facility:

7.14% of the branches are providing ATM card facility in rural areas where as in urban it is 28.57%. On the whole, only 17.86% of the branches are providing ATM card facility to the customers.

8. Credit Card Facility:

7.14% of the branches are providing Credit card facility in rural areas where as in urban it is 14.29%. In its entirety, 10.71% of the branches are providing Credit card facility to the customers.
9. Opinion Towards Bank Collection Charges:

16.28% of the rural respondents rated their opinion as Moderate towards banks collection charges and 16.86% of the respondents rated as less. Where as in Urban 23.71% of the respondents rated as moderate and 16% rated as very high. In short, 20% of the respondents rated their opinion towards banks collection charges as moderate and 12.28% respondents rated as less.

10. Opinion Towards Draft Exchange Charges:

50% of the rural respondents are not aware of Draft exchange charges. 26% of the rural respondents rated their opinion as moderate towards Draft exchange charges and 16.86% of the respondents rated as less. Where as in Urban 36.29% of the respondents rated as moderate, 35.71% of the urban respondents are not aware of Draft exchange charges and 14.57% rated as very high. In brief, 31.14% of the respondents rated their opinion towards bank’s Draft charges as moderate and 15.14% respondents rated as less.

11. Opinion Towards Loan Processing Fee:

58% of the rural respondents are not aware of Loan processing fees. 23.71% of the respondents rated their opinion towards Loan process fee as less and 13.43% of the rural respondents rated their opinion as moderate. Where as in Urban 58.86% of the respondents are not aware of Loan processing fees, 23.14% of the respondents rated as moderate and 11.14% rated as less. To conclude with, 18.29% of the respondents rated their opinion towards bank’s Loan processing fee as moderate and 15.28% rated as less.
12. Opinion Towards Cheque Book Reissue Charges:

46.85% of the rural respondents are not aware of cheque book reissue charges. 28.29% of the rural respondents rated their opinion towards charges for reissuing of Cheque book as less and 20.29% of the respondents rated as moderate. Where as in Urban 46% of the respondents are not aware of cheque book reissue charges. 32.29% of the respondents rated as moderate and 13.71% rated as very high. To state with, 26.29% of the respondents rated their opinion towards charges for reissuing of Cheque book as moderate and 18.14% respondents rated as less.

13. Opinion Towards Speed of Transaction:

35.14% of the rural respondents rated opinion towards speed of transaction as satisfactory, 25.71% rated as Good. Where in Urban, 17.43% of the respondents rated as Poor and 15.71% rated as Satisfactory. As a whole, 25.43% of the respondents rated their opinion as satisfactory and 20% as Good.

14. Opinion Towards Information Help Desk:

31.14% of the rural respondents rated their opinion towards Information Help desk provided by the banks as Good, 38% rated as Satisfactory. Where as in Urban, 34.29% of the respondents rated as Satisfactory and 27.43% rated as Good. On the whole, 36.14% of the respondents rated their level of satisfaction as satisfactory and 29.29% as Good.
15. Opinion Towards Documentation:

23.14% of the rural respondents rated their opinion Documentation as Good, 28.86% rated as Satisfactory. Where as in Urban, 22.57% respondents rated as Satisfactory and 20.29% for Excellent. In its entirety, 25.71% of the respondents are rated their opinion towards Documentation as Satisfactory and 18.57% as Good.

16. Opinion Towards Disbursements:

11.14% of the rural respondents rated their level of satisfaction towards Disbursements as Satisfactory, 10.57% rated as Fair. Where as in Urban, 13.43% respondents rated as Satisfactory and 10.57% as Excellent. In short, 12.29% of the respondents rated their opinion towards Disbursements as Satisfactory and 9.71% of the respondents rated as Fair.

17. Opinion Towards Clearance of Local Instruments:

9.43% of the rural respondents rated their opinion towards Clearance of Local Instruments as Satisfactory. Where as in Urban, 10.58% rated as Good. In brief, 9.57% of the respondents rated their opinion towards clearance of Local Instruments as Fair and 9.14 % as Good.

18. Opinion Towards Clearance of Outstation Instruments:

13.44% of the rural respondents rated their opinion Clearance of Outstation Instruments as Fair, 11.14% rated as Satisfactory. Where as in Urban, it is 16.28% as
Fair and 12.29% as Satisfactory. To conclude with, 14.86% of the respondents rated their opinion towards Clearance of Outstation Instruments as Fair and 11.71% as Satisfactory.

19. Opinion Towards Clearance of Overseas Instruments:

11.71% of the rural respondents rated their opinion towards Clearance of Overseas Instruments as Fair and 10.29% rated as Poor. Where as in Urban, 14.86% respondents rated as Fair and 12.29%, 10.57% for Good and Satisfactory respectively. In its entirety, 13.29% of the respondents rated their opinion towards clearance of overseas instruments as Fair and 12.14% as Good.

20. Opinion Towards Over Draft Operations:

12.57% of the rural respondents rated their opinion towards Overdraft Operations as Poor and 6.89% rated as Fair. Where as in Urban, 19.43% respondents rated as Fair and 8.57% as Poor. In short, 13.14% of the respondents rated their opinion towards Overdraft operations as Fair and 10.57% as Poor.

21. Opinion Towards Credit Facility:

13.72% of the rural respondents rated their opinion towards Credit facility as Satisfactory and 7.43% rated as Poor. Where as in Urban, 19.43% respondents rated as Fair and 14.57% as Poor. In brief, 16.71% of the respondents rated their opinion towards credit facility as Fair and 11% as Poor.
22. Opinion Towards Response for Telephone Queries:

13.71% of the rural respondents rated their opinion towards response to Telephonic queries as Fair and 9.43% rated as Good. Whereas in Urban, 17.71% respondents rated as Poor and 15.43% as Good. To conclude with, 12.71% of the respondents rated their opinion towards response to Telephonic queries as Fair and 12.43% as Good.

23. Opinion Towards Language Flexibility:

43.13% of the rural respondents rated their opinion towards response to Language Flexibility as Good and 24.29% rated as Satisfactory. Whereas in Urban, 30% of the respondents rated as Good and 23.71% as Satisfactory. To state with, 36.57% of the respondents rated their level of satisfaction towards response to Language Flexibility as Good and 24% as Satisfactory.

24. Opinion Towards Willingness to Help Customer:

31.14% of the rural respondents rated their opinion towards willingness to help customer as Satisfactory and 29.72% rated as Good. Whereas in Urban, 23.71% respondents rated as Poor and 20.86% as Satisfactory. As a whole, 24.43% of the respondents rated their opinion towards willingness to help customers as Good and 26% as Satisfactory.
25. Opinion Towards Information about New Products / Services:

28% of the rural respondents rated their opinion towards providing literature on new product/services as Good and 10.29% as Satisfactory. Where as in Urban, 14.57% respondents rated as Good and 16.29% for Fair. On the whole, 21.29% of the respondents rated their opinion towards providing literature on new products/services as Good and 16.43% as Poor.

26. Opinion Towards Parking Space:

36.29% of the rural respondents rated their opinion towards parking space at the banks as Good and 18.57% rated for Satisfactory. Where as in Urban, 34.57% respondents rated for Fair and 20.86% for poor parking space. In its entirety, 26.86% of the respondents rated their opinion towards parking space at the banks as Good and 25.43% as Fair.

27. Opinion Towards Seating Facility:

40.86% of the rural respondents rated their opinion towards seating facility in the banks as Good and 23.71% rated for Fair. Where as in Urban, 32.28% respondents rated for Good and 28.29% for Excellent. In short, 36.57% of the respondents rated their opinion towards seating facility in the banks as Good and 24% as Satisfactory.

28. Opinion Towards Lighting Facility:

40.85% of the rural respondents rated their opinion towards lighting facility in the banks as Satisfactory and 32.86% rated for Good. Where as in Urban, 31.71% respondents rated for Satisfactory and 30.86% for Good. In brief, 36.29% of the
respondents rated their opinion towards lighting facility in the banks as Satisfactory and 31.86% as Good.

29. Opinion Towards Drinking Water:

36.28% of the rural respondents rated their opinion towards Drinking water facility in the banks as Good, 26%, 26% of the respondents rated for satisfactory and Fair respectively. Where as in Urban, 22.57% respondents are rated for Poor and 21.14% for Good. To conclude with, 28.72% of the respondents rated their opinion towards Drinking water facility in the banks as Good and 23.14% as Good.

30. Opinion Towards Cleanliness of Premises:

48.28% of the rural respondents rated their opinion towards Cleanliness of the premises in the banks as Satisfactory and 28.86% rated for Good. Where as in Urban, 36.86% respondents rated for Good and 30% for Satisfactory. To state with, 39.14% of the respondents rated their opinion towards Cleanliness of the premises in the banks as Satisfactory and 32.86% as Good.

31. Opinion Towards Ventilation:

35.71% of the rural respondents rated their opinion towards Ventilation in the banks as Good and 31.14% rated for Satisfactory. Where as in Urban, 27.71% respondents rated for Satisfactory and 24.57% for Good. As a whole, 37.86% of the respondents rated their opinion towards Ventilation in the banks as Good and 29.43% as Good.
32. Opinion Towards Cheque Toilets:

50% of the rural respondents rated their opinion towards Toilets as Poor and 22% rated as fair. Where as in Urban, 60.28% respondents rated for Poor and 13.43% for Satisfactory. On the whole, 55.13% of the respondents rated their opinion towards Toilets as Poor and 16.29% as Satisfactory.

33. Opinion Towards Grievance Handling:

67.14% of the rural respondents said that they have Grievance towards bank, 67.14% said, No grievance. Where as in urban, 65.43% respondents rated as yes and 34.57% as No. In its entirety, 50.86% of the respondents are having grievances towards their bank and 49.17% said they don’t have any grievance.

34. Awareness about Ombudsman Committee:

90.57% of the rural respondents don’t have awareness towards Ombudsman committee. Where as in Urban it is 78.86%. In short, 84.71% of the respondents are not aware of Ombudsman committee.

35. Overall Satisfaction:

75.14% of the rural respondents rated their overall satisfaction level as Moderate and 20.29% rated as Highly Satisfied. Where as in Urban, it is 72.57% and 16.43% respectively. In brief, 72.57% of the respondents rated their overall level of satisfaction as Moderate and 16.43% as highly satisfied.
SUGGESTIONS

Strategies to Strengthen Competitiveness of PSBs

PSBs obviously have a special place in Indian financial system. When the financial sector in India is witnessing an intensive process of economic reforms, PSBs are in a way being compelled to face a completely new situation. Economic reforms via financial liberalization have heightened competition, both among banks as well between bank and non-bank financial intermediaries. Consumer demands are rapidly changing and a large population is asking for banking services of the highest quality.

PSBs in India have made tremendous quantitative progress but on the whole, it has to be admitted that PSBs have yet to arrive to a banking structure and operational systems which suit to the ongoing economic reforms and at the same time build modern banking systems in the competitive age.

The following are the various strategies to improve the competitiveness of PSBs.

I. Policy Framework

The improvement in the policy framework is aimed at removing and reducing the external constraints bearing on the profitability and functioning of PSBs. In effect, an attempt has been made to bring down very substantially, the preemption in the form of reserve requirements and to give greater freedom to banks in the determination of interest rates. This will have the effect of both expanding the lendable resources of PSBs as well as to improve the profitability. The de-regulation of the interest rate structure will give a
high degree of freedom to banks in determining the deposit rates and the lending rates. Obviously, the competitiveness of PSBs is greatly linked with management of this freedom judiciously.

2. Creating a Competitive Environment

Allow the PSBs access to capital markets and thereby reduce share of the Government in the total equity. It is already decided that the Government will hold at least 33% of total equity.

Partial privatization will bring about drastic changes in the functioning of PSBs. Having public as a part of the ownership of the banks indeed make PSBs more conscious of the need to run the institutions efficiently and earn more profits. Access to the capital markets and listing of shares on the stock exchange themselves entitle obligations on such banks in terms of publishing quarterly reports etc.

3. Assets and Liability Management

In the context of economic reforms, risk management is emerging as an important area that needs a great deal of attention. Efforts should be taken by the Indian PSBs to distribute the assets in such a way that for a given level of liquidity the return would be maximum. This approach is being substituted by a more comprehensive approach of asset liability management, which is popularly, known as a continuous process of planning, organizing and controlling asset and liability volumes, maturities rates and yields. PSBs must avoid the mismatch of asset liability characteristics and liability is no longer treated as given. Further PSBs liability structure can also be modified in tune with the asset
structure. Keeping in view high risks and their frequent occurrence, the PSBs in this context provide provisions for loan losses and head for adequate capital become important. And in terms of asset-liability Management, portfolio managers look at the variable and fixed components under assets and liabilities. PSBs can not overlook the most important element in the process of asset-liability management is to build into the analysis of possible future behavior of variables such as interest rates. This, the asset-liability management is a process and it must be practiced in an on-going manner. PSBs must regularly forecast assumptions and develop contingencies to accommodate changes expected.

4. Organizational Improvement

The second phases of reforms have focused on the organizational effectiveness of banks for which the initiatives will have to come from banks themselves. The areas which need improvement are known in-depth corporate planning combined with organizational restructuring are a necessary prerequisite to achieve designed results in terms of productivity and profitability. Properly designed professional management systems that improve the productivity and drives the behavior of employees in delivering quality service must be spelt out. To achieve all these goals PSBs need to be given great autonomy with respect to recruitment and promotion of personnel and in general management of staff and in determining organizational structure.

5. Structural Issues

It has come to be widely accepted both in India and internationally that the banks have to reorient their policies, practices, procedures, products and clientele in tune with
the changing global environment and at the same time confirming to their core
competitions. Globally the banks mergers are taking place not by acquisition of weak
ones by stronger institutions but among equally strong institutions. Taking into
consideration the recommendation of Verma Committee, Indian PSBs have to expand the
reach and coverage through retail banking and equally in some cases in pursuit of
investment and wholesale banking treasury services and such other activities.

Mergers between bank and banks and DFIs and NBFCs need to be based on
synergies and locational and business specific complementaries of the concerned
institutions and must obviously make sound commercial sense. Mergers of PSBs should
emanate from the management of banks with the Government as the common shareholder
playing a supportive role. Such Mergers, however, can be worth while if they lead to
rationalization of work force and branch net work; otherwise the Mergers of PSBs would
tie down the Management with operational issues and distract attention from the real
issue. It would be necessary to evolve policies aimed at "rightsizing" and redeployment
of the surplus staff either by way of retraining them and giving them appropriate
alternative employment or by introducing a VRS with appropriate incentives. This would
facilitate the cooperation and understanding of the employees and towards this direction,
management should initiate discussion with the representatives of staff. They would need
to convince their employees about the intrinsic soundness of the idea, the competitive
benefits that would accrue and the scope and potential for employees' own professional
advancement in a larger institution. Mergers should not be seen as a means of bailing out
weak banks. Mergers between strong banks / FIs would make to greater economic and
commercial sense and would be a case where the whole is greater than the sum of its parts and have a "force multiplies effect".

In order to take advantage of the trends in the global arena, Indian banking system has to seriously think towards such consolidation in tune with the recommendations of Narasimham committee. This will also pave the way for realization of the concept of universal banking.

The banks even the strong ones should learn the out of shading some of the non-profit making subsidiaries which in many cases have proved to be a drag on the profits and operational efficiency of the parent banks, in some cases making even the stronger ones to flounder. PSBs must command serious thinking at these lines.

6. Consolidated Supervision

In the emerging banking scenario consequent upon the launching of financial sector reforms, the distinction between commercial and investment banking is getting blurred. Banks may set up subsidiaries for undertaking para-banking and other financial services. Restrictions on ownership of banks by non-banking groups have been relaxed. The process has led to the emergence of banking groups and conglomerates, giving rise to new issues both in terms of industry structure as well as financial supervision. This may necessitate a system of consolidator supervision on global and also groups-wise basis. All PSBs should focus at new strategy particularly critical areas of capital adequacy, asset quality management, earnings, liquidity and systems, known as the CAMELS model. Under the new supervisory reporting system prudential supervision designed to monitor regulatory compliance would address the managerial information
needs within the reporting bankers to help them in self-regulations. The new inspection together with the inputs available under the supervision reporting systems would enable the Indian PSBs to pick up early warning signals and take immediate corrective steps.

7. Performance Indicators

Another important areas on which PSBs will focus their attention to compete with private and foreign bank are performance scale. All PSBs must build essential quantifiable performance parameters to be achieved in a time bound manner to immense their competitiveness. The parameters lay emphasis on incensed but low cost deposits, quality lending, generation of more income and profit, compliance with priority sector lending and export credit requirements, improvements in quality of investments, reduction in expenditure, stepping up of staff productivity, computerization and upgradation of technology.

The PSBs have to rationalize the control tiers, as also to lay down policies with regard to loans, investments, recovery, and liability management, Human Resource Development with approval of their boards. Non fulfillment of any of the parameters of commitments would entail penalty in the form of increase in CRR or SLR, stoppage of refinance facilities from RBI, restriction of access to call money market and stoppage of further capital contribution by the Government. The PSBs must review their position at regular intervals and publish their financial information. PSBs have to resort to remain as profit making entities. Besides controlling the interest expenditure, the non-interest expenditure should be firmly controlled along with other overheads.
8. Non-Performance Assets

Indian PSBs are characterized by a high average non-performing shares in total bank advances. The non-performing share in total bank loans is an important indicator of banking health. The high share of NPAs in Indian PSBs in aggregate has been of concern. The non-performing assets of all PSBs aggregated to more than half lakh crores during 1999-2000. NPAs constituted 10.4 per cent of their total loan assets.

An almost unintended import of the reforms has gone virtually unnoticed. The compulsion on banks to reduce their non-performing assets ratio has given rise to munificent benefits to willful defaulters. PSBs now have to emphasize to bring down the net NPV ratio below 3 per cent by the year 2000 and to zero per cent by 2002 to meet the International standards.

These targets cannot be achieved in the absence of measures to tackle the problem of backlog of NPAs on time basis and the implementation of strict prudential norms and management of efficiency to prevent the recurrence of this problem. On the other hand Government must create proper atmosphere for recovery of bank loans in the form of efficient legal system, effective debt recovery tribunals (DRTs).

9. Systems and Methods

Indian PSBs should bring out revised operational manuals and update them regularly, keeping in view the emerging needs and ensure adherence to the instruction so that these operations are conducted in the best interest of the banks and with a view to
promoting good customer services. These should form the basic objective of internal control system, the major components of which are:

- Internal consumption and audit,
- Concurrent audit
- Submission of control returns by branches
- Visits by controlling officials to the field level officer. Risk management systems
- Simplification of documentation, procedure and of inter-office communication channels and
- Computer audit in view of large-scale usage and reliance on information technology.

10. Technology Upgradation

The impact of technology on banking has been spectacular in the industrially advanced countries. Against the background of growing volume of transactions and the need to meet customer needs expeditiously technology upgradation has become indispensable. To strengthen the internal control, to improve accuracy of records and to facilitate provision of new product and services, PSBs will have to rely increasingly on computer based technologies. Apart from improving the functioning of banks at various levels, technology has a key role to play in developing a payment system network through which funds can be transmitted quickly and efficiently. Internet banking will be adopted by all branches of PSBs.

The PSBs in India which grew by leaps and bounds by increasing their branch network have to seriously think at consolidation and reorganization of such network by
enforcing strict reporting system and head office control over the branches. Control over such a large network of branch would require extensive use of information technology.

The central vigilance commission has directed that at least 70 per cent of a bank's business should be computerized by January 2001. Such infrastructure upgradation along with early adoption of asset and liability management system and use of management guidelines would facilitate Indian PSBs to migrate to better operational standards on par with global ones, and enhance their MIS capabilities for optimization of earnings.

11. Interest Rates

Interest rate regime in India has undergone a rapid transformation in the last five years or more. The structure of interest rates, which was extremely complex, has now been rationalized to fixing only three as far as banking system is concerned. The money market rates have been completely freed, as have the rates at which corporate entities can borrow from the capital market. Perhaps, the most striking transformation has been in the Government securities market where the Central Government borrows both dated securities and treasury bills through the auction system.

PSBs need to equip themselves to operate in such a deregulated interest rate environment. This will imply that they should be able to fix deposits and loans depending on the overall liquidity conditions factors. Obviously, in such situations, certain market leaders always emerge. PSBs over the last few years have evolved a set of criteria for determining the rate charged on the individual borrowers. They have also understood recently that this does not give them ultimate freedom to fix the rate. Pressures of competition and the intensity of demand will determine what the appropriate level is. These lessons will have
to be modified and improved upon as interest rate structure becomes more flexible. The deregulation of interest rates will also lead to innovations of various types and corporate and others have already started experimenting with floating rate issues.

The management of the investment portfolio of the PSBs will also require greater attention, since the prices of the securities will be affected with changes in interest rates. Therefore, the maturity pattern of the investment portfolio, and the distribution according to instruments are matters receive the attention of technical experts in the banks. It is quite conceivable to have a situation in which the investment portfolio will consist Government and quasi-government paper, but also other instruments including securitised loans. All this will demand a proper attention of PSBs on existing and expected levels of interest rates.

12. Diversified Market Structure

Banks will begin to function increasingly under competitive pressures. These may emanate from within the banking institutions. A greater overlap in product coverage between commercial banks and non-bank intermediaries will occur. Thus both on the liability and asset sides, banks will face increasing competition. Banks should be willing to offer products to savers, which are competitive in terms of both price and service. On the lending side, apart from the competition from other intermediaries, corporates seeking funds directly from the market will also have an impact on the asset distribution of banks. This is already happening in our country. Apart from the very large funds that corporates have been able to raise from the domestic capital market with the lower interest abroad, big Indian corporates have also begun to raise funds from the international markets. Some
of the corporates have used the funds so raised to retire high cost domestic commercial bank credit. This type of disintermediation is not uncommon. Banks will have to take note of these developments. Lending is an important function of commercial banks and will remain the most profitable form of utilizing funds. They cannot let an important asset of theirs to go down. Competition will compel banks to keep the interest spread to the minimum and in this context bank can earn enough for them only by reducing the proportion of non-performing assets.

Banks will also have to pay attention to market segmentation, and greater specialization in different niches of the markets. It is important to note that 'bigness' is not synonymous with success. Small and medium sized banks can also effectively compete if appropriate niche strategies are adopted.

13. Accounting Policies

Transparency is the keyword in the globalization. Transparency in banks financial communication is of paramount importance in the reform age. This can be achieved by adoption of International accounting standards in preparation of financial statements by PSBs. PSBs should give up the traditional practice of disclosing finance performance. Time has come to bring more transparency in financial disclosure. All PSBs must disclose every key information in their balance sheet, investments in SSI, Government Securities, and stock market, besides, information about foreign branch assets and liabilities and NPA information. Already Corporation Bank is preparing its financial statement as per GAAP. Other PSBs should also practice the American made GAAP in
preparation of their balance asset in the near future to retain their position in the banking business and bring up competitiveness to compete with private and foreign banks.

14. More Accountability

Increasing accountability of BODs of PSBs is another facet in strengthening the role of PSBs and to play competitive role on par with PSBs.

Supervision of banks performance maintaining more transparency in balance sheet is some of the recommendation given by M.S. Verma committee appointed by RBI which can be followed by the PSBs to increase their competitiveness. The concept accountability can not be confined to BODs only, it also equally extends to all levels of banking functions. This can begin with setting up an autonomous body to select full time directors who have successful track record of at least 10 years experience in banking sector as per corporate director of PSUs. Political intervention can not be entertained. The list of all directors with their occupation and addresses will be furnished in the balance sheets. This will create conducive environment to the directors to take competitive decision in their specialized field.

The PSBs should give away the practice to appoint part time directors in their boards by bringing corporate culture of appointing full time director with clear cut assignments followed by greater accountability. This will alone bring competitive spirit among PSBs. The PSBs in India will have to improve their quality of assets by vigorous pursuit of better credit appraisal skills and treasury management, recovery procedure, adopt new technologies and diversity their product range. This calls for cost cutting,
concentration at core business competencies, augmentation of our funds through approach to market as well as by rationed earnings through improved profits, consolidation of existing business and branch network, and tightening of internal control and transparency in their operations.

The future ability of banks to execute their strategy and achieve their business goals will critically depend on the manner in which they are able to organize and manage their human resources.

The reforms have also unwittingly led to miss-allocation of funds among different segments of society. The small sector, particularly weaker sections, is gradually being eased out. PSBs to withstand their competitiveness, have to concentrate their operations targeting priority and weaker section of the society which ultimately leads to overall competitiveness of PSBs.

It is important that all of the PSBs fully recognize the environmental imperatives bearing on them, dedicate themselves and can-y the PSBs forward into the best minimum. The future ability of banks to execute their strategy and achieve their business goals will critically depend in the manner in which they are able to organize and manage their human resources.

**Looking Ahead in terms of Priority Sector Lending**

In view of the mounting overdues in the priority sector, it is essential to take up the recovery job on ‘a war footing’. Each bank has to consider the current year as the ‘recovery year’ and targets should be fixed for each branch accordingly. To coordinate
the recovery function, a task force or recovery team should be formed at each branch, which will first take up the inventory of NPAs and carry out the analysis. Thereafter, involvement of each staff member is necessary in the recovery drive. Education of borrowers seems to be very important so that recovery can take place by mere persuasion. Similarly, a small reminder to the defaulters would provide a good reward. Visits to the borrower’s premise are unavoidable. If necessary, banks should be prepared to consider compromise cases sympathetically. At the same time, branches should take stern action against willful defaulters by approaching the court authorities on a selective basis.

There are certain factors commonly responsible for the success of recovery. All these factors, when analysed, teach certain lessons to many bank personnel. For good recovery to be effected the following are essential²¹.

- Seriousness of the branch staff to deal with matters of recovery.
- Formation of a Recovery Team at branches.
- Proper selection of NPA accounts in order to ensure quick and substantial recovery.
- Providing guidance and assistance to each member of the recovery team by the branch manager and/or regional/zonal officer.
- Seeking cooperation from the local administration, development agencies, good borrowers, friends and relatives of the defaulters, etc.,
- Offering financial/non-financial incentives to the staff who effect a good recovery.
Reviewing the progress in recovery of NPA from time to time and taking appropriate measures to step up the recovery drive.

Adopting result-oriented and less costly recovery strategies which include sending a reminder to the defaulters, frequent visits to the borrower’s premises, bringing, pressures on borrowers to make repayment of bank dues, compromise in deserving cases, approaching the Lokadalat, organizing recovery camps wherever large sums of money is due from farmers, sending the recall notice on timely basis, settlement of claims, etc.,

Introduction of Technology

Moreover, technology in banking should not be restricted to metro or urban areas only but should also be extended to other important centers. Since most of the public sector banks are losing grounds in metro and urban areas, atleast they can check and avoid similar happenings in semi-urban and rural areas by taking proactive steps before competition intensifies in these areas as well. It is suggested that once a branch is computerized, banks should introduce the 'Single Window Service' system. It will not only improve customer service but will also economise operations. With automation we may venture to the extent of suggesting, "clerk-free" or fully automated bank branches in future.

After reforms there has been substantial improvement in PSB in the areas of credit appraisal, inflation technology in banks, Internet banking, reduction of labor force, etc. With these changes PSBs are poised for the accelerated growth in the years to come.
**Business Process Re-engineering**

The present day problems like poor quality of service, irregularities in sanctioning of loans etc., by PSBs, should be studied scientifically and find out whether they are the result of the weakness of the human nature or inherent systems' defects or both. To what extent, system 's defects are responsible, have to be identified and appropriate structural interventions like redesigning the organizational structure, legal framework, streamlining the business processes, procedures and the programs, should be initiated based on the systems approach. In the era of computerization of service industries, information technology should be allowed to facilitate to improve the employees efficiency and the customer service but not affecting the number of employees and the customers-employee relationship. It should add value to the existing organizational cultural values but not disturb them. Benchmarking should be used to PSBs with organization whose philosophy, structure and environment are one and the same. HRM policies, strategies and practices, should be reoriented based on the principles of Indian based concept of professionalism as per changing requirement of the business and socio-political environment. Excess manpower that is resulted due to restructuring of PSBs, can be diverted through diversifying business operations to the poorest of the poor whose purchasing power can be increased to create potential demand for buying number of value added goods and services. Additional employment opportunities can also be created in this regard. More autonomy is given to them by appointing politically unbiased and competent CEOs to manage PSBs successfully in the new millennium.
**Human Re-engineering**

Present-day human related problems such as increasing employees job dissatisfaction, low moral and productivity, decreasing commitment and loyalty to the organization, employee turnover etc., are in rising trend. Scientific research on HRM policies and practices should be conducted to find out to what extent, HRM practices and individual factors are responsible for such problems. Besides, the above macro level measures initiated, individual and group oriented intervention strategies, should be implemented. HRD philosophy oriented organizational culture and climate based on the societal cultural values, has to be inculcated. Hi-fi strategy and life styles based on Western culture should be discouraged. Family based culture with holistic concern for each other irrespective of the nature and level of position of individuals and groups, should be cultivated through following uniforms, single canteen and transport facilities to all the employees of the organization.

The spirit of duty oriented work culture should be encouraged through redesigning and enriching the job with the element of intrinsic spirit of motivation besides extrinsic motivational measures (compensation package).

Human nature weakness-free oriented potential and performance appraisal systems like self-appraisal system should be implemented so as to develop individual and group commitment for achieving organizational excellence.

Intra and inter group relations can be developed through conducting series of workshops, seminars and conference to establish and renew the spirit of new mind-sets for managing change forever. Family group diagnostic and team building meetings, field
force analysis, role analysis exercises and other related techniques, should be emphasized at various stages of OD process.

**Strategies to enhance the Quality of Customer Service:**

The following are the strategies to enhance the Quality of Customer Service:

- It is suggested to increase number of current accounts so as to enhance transactions and in turn profit.
- Ambience inside the bank is to be maintained.
- Measures to be taken to enhance customer loyalty.
- Promote the habit of making deposits.
- Locker facility should be provided in all the branches.
- ATM facility should be made available to all the customers of all the branches.
- Credit card facility should be made available to all the eligible customers of all the branches.
- Collection charges, Draft Exchange, Loan Processing Fee, Cheque Book reissue charges are to be reduced.
- Speed of transaction should be improved.
- Information Help Desk should be made useful to the customers.
- Documentation procedure should be made simple.
- Decrease the time taken for Disbursements.
- Clearance of Local, Outstation and Overseas instruments should be made easy.
- Over Draft facility and Credit facility should be provided to all the eligible customers of all branches.
➢ Employees are supposed to help customers in completing the transactions and providing awareness towards New Products / Services.

➢ Basic amenities like Parking space, Seating facilities, Lighting, Drinking water, Ventilation, Toilets and Cleanliness must be maintained in all the branches.

➢ Reasons for Grievances should be analysed and solved immediately.

➢ Awareness about Ombudsmen committee is to be created among customers.

➢ Proper measures are to be taken to increase the Satisfaction level of the Customers.

Besides all the above mentioned measures, experiences and interventions that all are used by Indian based successful companies, should be taken as role models in re-engineering and developing the existing PSBs for their improvement. It may be concluded that by changing the mind-sets of PSBs by implementing the above interventions, their public sector character can be sustained and their niche marketing activities, can also be continued for bringing balanced regional development in the country.