CHAPTER V

CONCLUSIONS AND SUGGESTIONS
Bank is an effective and potent instrument in promoting the socio-economic status of the people. It aids in the development process by mobilising savings from myriad savers, deploying such mobilised savings to the productive economic activities which provide employment opportunities and economic distribution on social equity. Therefore, bank is a catalytic agent facilitating the achievement of socio-economic progress human beings in particular and goodness of the society in general. In other words, the acceleration of additional activities in the economic set up depends very much on the increased volume and dimension, with diversification, of banking operations. Thus, the direction and distribution of banking operations are of immense need, on which depends the economic growth and development of the country. The pattern of bank working was urbanised and profit-oriented, has now become development and service-oriented with the aim of rapid growth devoid of imbalances with reference to regions or States, under the thrust of nationalisation and recommendations of various committees and commissions from time to time.

The policy of liberalisation which was introduced in 1991 on the recommendations of M. Narasimham aims at promoting the efficiency of management and improving effectiveness of the banking sector, in terms of its working
results. An endeavour made on review of literature obviously throws light on the working of banking sector, but no study covered the impact of the liberalisation policy. Hence, the present investigation.

The present study has examined the performance of banking sector in terms of branch network, mobilisation of deposits, deployment of credit, priority sector services and non-performing assets. The period covered in the study is 13 years, six years before liberalisation policy and six years after liberalisation policy.

FINDINGS

The banking sector has slowly expanded and diversified its functions embracing the aspects of all economic activities, to achieve the planned objectives of the country. High degree of emphasis has been shouldered on Indian banking system on mobilisation of deposits for deploying them to productive purposes; for increasing quantum of production. The measures on the banking policy in terms of branch network and credit have been taken to meet the needs of the time under the environment. The management of the banking system is coupled with scientific approach with computer service.
The branch expansion programme of commercial banks though covered vast area hitherto uncovered but the quantum improvement in branch expansion in rural areas has improved corresponding to reduction in semi-urban areas. The progress in branch network is little in post-liberalisation period compared to pre-nationalisation period. The reason for which is due to the efforts being made on the viable operations of a branch.

The progress achieved on mobilisation of deposits is satisfactory with sizeable positive fluctuations both in pre and post-liberalisation periods with more focus on the latter. This is certainly the reflection of the liberalisation policy with added impetus of the banking system with innovative and responsive schemes offered to the public. This trend has provided a cushion for deploying more funds as is evidenced by the elasticity co-efficient which is far satisfactory in post-liberalisation period.

The credit-deposit ratio is decreased two-fold in the rural areas during post-liberalisation period to that of decrease in pre-liberalisation period. The same scenario is also reflected in the semi-urban areas. However, the decrease in credit-deposit ratio in the urban areas during both pre and post-liberalisation periods is more than 4 per
cent. In brief the credit-deposit ratio has fallen short of the target in the rural and semi-urban areas during post-liberalisation period.

The increase in credit deployment to the priority sector during post-liberalisation period compared to the pre-liberalisation period is found a substantial improvement. However, in relative terms, it has fallen short of the target of 40 per cent of bank credit. The commercial banks yet to make sincere and innovative efforts to deploy credit to agriculture and small scale industry.

Still the commercial banks are prone to urban areas in terms of branch network and deploying credit by mobilising from rural areas. A noteworthy achievement of the commercial banks is that of extending credit under DRI Scheme to the weaker sections.

Interestingly, the share of non-performing assets to total advances declined from 22.2 per cent in 1993 to 17.3 per cent in 1996. The corresponding figures for doubtful debts are also decreased from 13.3 per cent to 10.80 per cent; the substandard assets from 8.30 per cent to 4.10 per cent; and loss assets from 2.60 per cent to 1.90 per cent. This decline is the most remarkable achievement in the working of banking sector. Equally remarkable is the drastic decline in non-performance assets of public sector banks in
1997 with an amount of 20,280 crores or 9.18 per cent from 39,584 crores or 17.3 per cent in 1996. The Indian banking system has adopted the measures recommended by the Narasimham Committee to strengthen its operations viably.

SUGGESTIONS

The commercial banking system still need to expand its branch network, with focus on the rural areas, rural sectors and rural people; if necessary, under the provision of 'Mobile Bank'. The credit-deposit ratio for the rural and semi-urban areas would be implemented as per the Reserve Bank of India norm so that the scope for deployment of credit to develop and diversify the operations leading to economic progress is possible. It would be better if the banking system can undertake the 'Integrated Services' including credit. To mention a few areas for this integrated service are (a) extension of bank card and agricard to rural people, (b) linking of credit with marketing, (c) preferential treatment in providing loans to the persons, who adopted family planning; thereby making it a people's movement, and (d) lease and hire-purchasing.

The banking system should take the measures to educate the rural people about the economic promotion and
additional employment-oriented programmes by means of campaign. Having grown at rapid rate during nationalisation; in particular during post-liberalisation period, a greater need as well as stress on the situation for control and supervision by means of monitoring system would be an immense felt need. This would certainly improve the performance of assets. Further, this would rejuvenate the efforts of banking system in making its contributions to meet the ever-growing and complex challenges in growth and development of the economy with a social purpose.

For sound and healthy business operations, the banking system should adopt the means and mechanism to achieve good results and good improvement, in managerial efficiency. For which the CAMELS i.e., capital adequacy, asset quality, management evaluation, earning potential, liquidity, and systems and controls is an appropriate mechanism for achieving the expected means. If the banking system adopts this mechanism in true and team spirit, it would improve the efficiency of input factors for attaining and attuning the objectives of Indian economy.