Review of Literature
II. REVIEW OF LITERATURE

It was considered desirable to have an idea of the findings of some of the earlier research studies and the methods adopted therein with a view to evaluate the objectives of the study. Such a review of literature connected with the working and performance of Regional Rural Banks in India and abroad as well as that of related financial institutions, it was hoped, would provide a basis for confirming the earlier findings or for contradicting them and thereby throw up points of departure for further studies.

Foulke (1945) emphasized the ratio analysis as an important technique of credit analysis and provides excellent performance indicators. Earlier studies have used the current ratio as a test of liquidity; the total liability to net worth ratio, fixed assets to net worth ratio, total liability to owned funds to measure solvency; the net profits to sales, net profits to fixed assets and net profits to owned funds to measure profitability.

Krishna Rao,(1963) also emphasized the ratio analysis as an important technique of credit analysis and provides excellent performance indicators. He used the current ratio as a test of liquidity; the total liability to net worth ratio, fixed assets to net worth ratio, total liability to owned funds to measure solvency; the net profits to sales, net profits to fixed assets and net profits to owned funds to measure profitability.

Flow of credit was larger for big farmers than that for small farmers and substantial proportion of small farmers did not get Co-operative credit (RBI, 1969). As per the survey conducted by the National Council of Applied Economic Research (NCAER) in 1970-71, 30.30 per cent of the total borrowings made by the cultivating
households in the country were from three institutional agencies viz., Government, Co-operatives and Commercial banks. Among these three agencies the share of Co-operative was the highest (22.70%) followed by Commercial banks (4.00%) and then by Government (3.60%).

Lawrence and Haley (1977) considered the liquidity ratio, profitability ratio and activity ratio as levers to measure and evaluate the overall financial position of a business.

Singh et al. (1978) observed that Regional Rural Bank Farrukhabad concentrated mostly on crop loans followed by loans for the purchase of milch animals, small businessmen and rural artisans. The recovery performance was most unsatisfactory. They concluded that Regional Rural Banks and Commercial banks were new entrants in the field of rural finance and they lack trained and experienced personnel having rural background.

Committee to Review Arrangements for Institutional credit for Agriculture and Rural Development (CRAFICARD) revealed from its report that total loans outstanding for agriculture increased from Rs. 1075 crores in June 1969 to Rs. 6325 crores in June 1980. Out of the total agricultural credit outstanding at the end of June 1980, Co-operatives accounted for 59.4 per cent, Commercial banks 38.8 per cent and Regional Rural Banks 1.8 per cent.

Kurulkar and Deogirikar (1980) in their analysis on Marathwada Regional Rural Bank found that the major proportion of the beneficiaries belonged to land less category,
followed by small and marginal farmers. The percentage flow of credit to these weaker sections has shown a declining trend and the study recommended for reconsideration of loaning policies of the bank.

Natarajan et al. (1980) with the help of various financial ratios analysed the working of Consumer Co-operatives in Andhra Pradesh and asserted that the current ratio of 2:1, quick ratio of 1:1, inventory ratio, net profit margin, return on assets and return on share capital were the best standards of evaluation. The results of their analysis showed that the liquidity position was not satisfactory. Excess financing over equity, poor inventory turnover, heavy establishment and contingent expenses in proportion to sales, huge stock of inventory and ineffective utilisation of funds were the causes for the poor performance of Consumers Co-operatives.

Wadhava (1980) suggested the need of re-organisation and revitalisation by the policy makers to achieve the objectives. The Regional Rural Banks performed the task of meeting the credit needs of the small and the marginal farmers who failed to get credit from the existing Co-operative Institutions.

Anand (1981) in addition to liquidity ratio, profitability ratio and activity ratios, employed the stock to working capital ratio, gross profit ratio, turnover ratio, total sales to fixed assets ratio and total sales to owned funds ratio to evaluate the financial position and performance of State Consumers Federation in Maharashtra.
Mishra & Awasthi (1981) in their study on Central Bank of India stressed the need for convenient loan procedure, need based lending, avoiding under rating of annual installments, debarring willful defaulters etc., for effective recovery of loans.

Joshi (1982) in his study suggested that banking activities should be carried out in a wider contest as friend, philosopher and guide of the people in the process of rural welfare.

Srivastava and Subramanian (1982) observed that in 1975 there were six Regional Rural Banks with 17 branches and by 1979 there were 57 Regional Rural Banks with 1990 branches, indicating 9.5 times and 117 times increase in banks and branches respectively. They concluded that the coverage of Regional Rural Banks was uneven and the bulk of assistance both direct and indirect has gone to small and marginal farmers and agricultural laborers.

Anand (1984), in his study employed the liquidity ratio, profitability ratio and activity ratios, etc., to evaluate the financial position and performance of the Grape Growers Marketing and Processing Co-operative Society, Bangalore.

Mehta (1984) observed that the Jhabua-Dhar Kshetriya Grameena Bank of Madhya Pradesh introduced the performance budget in which the targets and achievements of deposits were compared each year then a corporate plan for the bank was prepared. Further, he suggested that in order to improve the income position of the bank cheaper funds and advances to non-target groups are required.
Lakshminarayan (1984) studied Mayurakshi Grameena Bank. He suggested various measures to improve the recovery of loans advanced by the bank, like, establishing effective link between credit, marketing and other services, the need for educational programmes and dissemination of knowledge about improved technology in agriculture and allied fields, etc.

Rama (1984) emphasized the ratio analysis as an important technique of credit analysis and provides excellent performance indicators. He used the current ratio as a test of liquidity; the total liability to net worth ratio, fixed assets to net worth ratio, total liability to owned funds to measure solvency; the net profits to sales, net profits to fixed assets and net profits to owned funds to measure profitability.

Ramesh and Thakur (1984) studied the sources of funds of Regional Rural Banks and their effective management for viability. The investment on fixed assets, which do not fetch any return, should be at base minimum. The scope of cross subsidization has to be examined to provide Regional Rural Banks the profit. To conclude in respect of deployment of their resources, Regional Rural Banks should keep in view profitability along with socio-economic objectives.

Satya Sundaram, (1984) opined that the performance of Regional Rural Banks in terms of branch expansion, deposit mobilization and credit disbursement was impressive. The Regional Rural Banks continued to face the problems like mounting overdues, lack of profitability, etc.
Singh and Upadhyay (1984) observed that inadequate arrangements for loan recovery were the main reason for lower recovery as experienced by Regional Rural Banks in Bihar and found that the performance declined continuously. The bankers suggest the measures for better recovery such as lending in cluster, timely reminders, tie-up arrangements with marketing agencies, support from government agencies and legal action against willful defaulters. The failure of crops, social ceremonies, non-persuasion by the bank and anticipated declaration of moratorium and remission of loans by Government, etc. are some of the reasons for non-repayment of loan.

Sudhakar et al., (1984) evaluated the performance of Cauvery Grameena Bank of Mysore district in comparison with primary Agricultural Co-operative Societies. The performance of Regional Rural Bank was better than PACS with respect to deposit mobilisation, credit deployment and timely sanction of loan and adequacy of loan amount. The Regional Rural Bank branches were earning profit whereas PAC's were running on no loss no profit basis.

To study the growth performance of different organisations, the scholars have used compound growth rate technique considering various parameters. The important parameters used were membership, resources, Government support, floating debentures, investments, loan operations, overdues, cost of management, profit and the cost of credit disbursed to weaker sections. No marked impact in the field of agricultural credit due to limited loan transactions, John Winfred (1985) observed non-diversification of their lending programmes.
Singh and Jain (1985) in their analysis on rural banking and its challenges found that many of the rural bank branches becoming economic dead weights with ever-mounting overdues. The situation could be averted if there was proper expansion, planning before opening the branch and later proper supervision of the end use of credit.

Subbarao (1985) emphasized the ratio analysis as an important technique of credit analysis and provides excellent performance indicators. He also used the current ratio as a test of liquidity; the total liability to net worth ratio, fixed assets to net worth ratio, total liability to owned funds to measure solvency; the net profits to sales, net profits to fixed assets and net profits to owned funds to measure profitability.

According to Dongre, (1986) the performance of Regional Rural Banks in terms of branch expansion, deposit mobilisation and credit disbursement was impressive. The Regional Rural Banks faced the problems like mounting overdues, lack of profitability, etc.

Parmar et al (1986) assessed the performance of Mehsana Grameena Bank in Gujarat found that, the number of branches, deposits, advances per branch and advances per capita were found to be in an increasing trend. Agriculture received a lion share especially crop loan, which was a good sign for the development of banking sector.

Sahaya and Sharma, (1986) were of the opinion that Regional Rural Banks facing the problems like mounting overdues, lack of profitability, etc.

Shankara Murthy (1986) in analysing the performance of Karnataka State Co-operative Marketing Federation employed the factor analysis technique with principal
component solutions. Growth in physical and financial indicators and growth in assets and liabilities were the two main underlying dimensions in the performance of the federation, as it was revealed by the study.

Devendra Babu, (1988) observes that the performance of Regional Rural Banks in terms of branch expansion, deposit mobilization and credit disbursement was impressive. But they are facing with the problems like mounting overdues, lack of profitability, etc.

Haque and Verma (1988) found that the private agencies of credit dominated the agricultural credit in many regions during 1971-81. There was a highly skewed distribution of institutional credit towards progressive regions and better off sections of the rural population. The study recommended for the preparation of an egalitarian credit plan coupled with proper monitoring for balanced growth and development.

Kuchhadiya and Shiyani, (1988) in their analysis found that the mounting overdues of Regional Rural Banks affected adversely the functioning of the institution as they can not get refinance facility from NABARD, if the overdue percent crosses 60 per cent. Authors suggested measures to improve the recovery position of the banks. Some of the important suggestions were integration among different departments, proper identification of borrowers, supervision of end use, involvement of local agencies and youth and linking of credit with marketing, re-orientation of loan policies and recovery camps, etc.

Savariah and Nirmalamani (1988) analysed performance of Chaitanya Grameena Bank in Andhra Pradesh. They found that, the number of branches, deposits, advances
per branch and advances per capita were found to be in an increasing trend. Agriculture received a lion share especially crop loan, which was a good sign for the development of banking sector.

Singh (1988) studied the Bhojapur-Rohtas Grameena Bank, Bihar. It has been observed that the bank has exclusively financed the weaker sections and showed the image of small man's bank. Allied activities were more important for land less laborers and crop loans were important for small and marginal farmers. The recovery of allied activity loan was higher compared to crop loan. The ratio of expenditure to total income, number of adult equivalent consumer units, family expenses and old debt were the major factors influencing repaying capacity of the borrowers. The large farmers' category had highest overdues and as well as willful default. The researchers suggested stern action against willful defaulters and package of incentive for non-willful defaulters.

Sangwan (1989) tried to identify the factors affecting viability with special reference to Regional Rural Banks in Uttar Pradesh. It was found that the profit making Regional Rural Banks preferred to invest more of their funds at call and short notice rather than loans and advances to weaker sections which imply lack of profit incentive in rural lending. Interestingly overdues were not affected the book profit as the same were higher for profit making Regional Rural Banks (27.46%) compared to loss making Regional Rural Banks (25.6%). The C-D ratios were 74.31 per cent and 82.64 per cent for profit making and loss incurring Regional Rural Banks respectively. The author, taking into consideration the deposits with sponsor banks and lending rates on advances suggested an alternative model for a branch.
Yeshwant (1989) while analyzing the performance of South Malabar Grameena Bank in Kerala, found that the recovery percentage was satisfactory (77.5%), and the agricultural sector has more overdues than non-agricultural sector.

Jagadeesha et al (1990) while assessing the performance of Tungabhadra Grameena Bank in Karnataka analysed the growth of the bank in terms of physical and financial indicators employing the ratio analysis. They found that there was substantial increase in the physical and financial indicators of the bank.

Jagat Ram (1990) felt that Regional Rural Banks have played a vital role in sustaining and rejuvenating rural economy despite several odds. The structural/strategic policy changes were called for to correct the imbalances in their functions so as to make them stronger (Krishnan 1990; Singha, 1990).

Balishter et al (1991) reported that the better classes of farms were responsible for a large proportion of overdues and 90 per cent of them were willful defaulters. The old overdues constituted about 71 per cent and needs serious concern.

Harikumar, (1991) observes that the important factors influencing default of loan were fall in price of products and crop failure

Ramola and Negi (1991) analyzed the qualitative aspects and impact of Regional Rural Banks in Kashmir. They observed that, there was a considerable growth in branch expansion despite the constraints of limited resources, infrastructure facilities and manpower. The bank was successful in mobilizing small savings, however the growth in deposits and repayments were not much impressive.
Sinha (1991) opined that, the Regional Rural Banks could mobilise higher deposits by offering extra margin of interest, availing maximum refinance, investment in approved securities, reduction in non productive assets, etc.

Sukumaran and Shaheena (1991) in a study on the Palghat District Co-operative Bank in Kerala analysed the spread, burden and profitability management. The study revealed that, the management of spread, burden and profitability within the bank was not that very effective.

Dharmpalan (1992) suggested three-stage recovery drive for a better recovery of loans. Fifty per cent of the amount could be collected if credit was delivered properly and good guidance is given at the time of lending. Another 25 per cent could be collected by advising the farmers when to sell their produce and remaining 25 per cent by personal contacts and legal action.

Khusro, (1992) feels that the major factors responsible for erosion of profitability were exclusively lending to weaker sections, low interest margins and high operating costs and proposed for merger of Regional Rural Banks with their sponsor banks.

Narasimhan (1992) opined that to impart viability to Regional Rural Banks operations they may be permitted to engage in all types of banking business and invest the funds in NABARD or other agency to get more interest for augmentation of income of Regional Rural Banks. However, he left the option of merger open to Regional Rural Banks and their sponsor banks.
Atibudhi and Singh, (1994) the study conducted by the researcher shows that the flow of credit was skewed (Gini 0.66) in Cuttack district of Orissa.

Katkar et al (1994) employed the compound growth technique to study the trends in advances outstanding and overdues of Primary Agricultural Credit and Service Societies in Haryana. The study revealed that overdues and loans outstanding has risen significantly at higher rates as compared to loans advanced and recovered during the study period.

Reddy (1994) considered the variables viz., share capital, reserve, deposits and borrowing while assessing the working of Malkanoor Co-operative Rural Bank. The growth rates were relatively higher for deposits, reserves and investments for Malkanoor Cooperative Rural Bank.

Reddy et al (1994) employed the principal component analysis to rank the districts based on the performance of PCARDBs. The study revealed that, eight districts were ranked as higher performance, six districts were categorised as medium and another five as low performance. Using discriminant function analysis the factors contributing to the disparity between the districts were quantified. Growth in working capital (49.7%), deposits (32.85%) and overdue loans (26.5%) were the important factors in distinguishing low performing banks from high performing banks during the study period.

Sankariah and Reddy (1994) in their study on Rayal Seema Grameena Bank in Andhra Pradesh observed that by and large recoveries were poor in poverty alleviation
programmes and declining trend was seen for the bank as a whole. The recovery rate was good in the case of short-term loans, priority sector advances and rural industries and the recovery was quite encouraging in piggery.

Singh et al (1994) in a study found crop failure and fall in price of products as the important factors influencing default of loan.

Sinha et al (1994) while studying the comparative performance of Central Co-operative Bank and Regional Rural Banks in Bihar observed that Central Co-operative Banks earned profits and the Regional Rural Banks incurred losses. Further he reported that Co-operative Bank was operating above the break-even level, whereas Regional Rural Bank was operating below the break-even level.

Ghosh (1995) in a study conducted revealed that, the percentage of overdues to demand among different categories of borrowers was very high in the case of educated unemployed. The incidence of overdues was maximum (67%) in Regional Rural Banks. The beneficiaries of Government sponsored programmes having better educational qualifications do not repay loans regularly thus directly contributing to enhance overdue size.

Balishter (1996) also examined the causes of overdues in addition to above mentioned reasons for agricultural overdues viz., defective loaning policy and procedures, lack of provision of working capital and absence of linkages of credit with marketing.
Naik et al (1996) in his study on the role of Valsad Dangs Grameena Bank in the development of farmers revealed that 75 per cent of the beneficiaries had completely utilized the credit for the purpose for which it was sanctioned. Regarding the credit repayment performance, majority of the beneficiaries had completely repaid the credit on time.

Singh and Sateesh Babu (1996) studied the relationship between loan amounts and overdue per branch and per account using linear equations, in Kurukshetra district of Haryana. It was estimated that every advance of Rs.1 lakh had resulted in an overdue of Rs.44,040 per branch and Rs.12,650 per account indicating thereby unplanned branch expansion and poor business by the Regional Rural Banks, which led to heavy losses. The study identified the probable reasons of the poor business such as poor screening, lack of proper loan appraisal and supervision for the end utilisation and possible diversion for non-productive purposes.

Singh and Sateesh Babu (1996) in their analysis on state wise performance and prospects of Regional Rural Banks revealed that the comparison of deposit mobilisation and advances outstanding among the states depicted divergent picture. Haryana ranked first with an average deposit of nearly 76 lakhs per branch. However, the deposit mobilization per account varied Rs.1000 to Rs.3000 across the States. With respect to the advance outstanding per branch, Kerala ranked first with Rs.81.26 lakh followed by Tripura and Andhra Pradesh. The volume of business per branch was the highest in Tripura (Rs.140.67 lakhs) followed by Kerala and Haryana. The comparison of the
overdue per branch varied considerably and was found to be the highest for Manipur (Rs.72.41 lakhs) followed by Tripura.

Biswas and Dash (1997) studied Recovery Phenomenon of rural bank credit in Orissa. The study was conducted in Dhankaral, a backward district of Orissa, India. The study was confirmed to rural bank loans. The primary data was collected from 240 rural households by adopting purposive random sampling techniques. The sample consists of 40 big, 40 small, 40 marginal formers, 40 landless laborers, 40 small businessmen, 40 rural artisans and 40 traders. In general 42.31% of the total lonees were default and the amount in default stood at 48.26% of the loan amount outstanding. In the category wise default 56.25% of the landless laborers has defaulted in repayment, followed by small businessmen and rural artisans (52.94%), marginal farmers (47.05%), small formers (40.91%), traders (35.71%) and big farmers (33.33%). The cases for default were misutilization of loan (39 nos – 61.8%), inadequacy of income (17 nos. – 30.9%) and 4 (7.3%) were willful defaulters out of 55 defaulters among 130 rural bank lonees.

Anonymous (1997) also drives home the fact that rural credit institution is like a living organism that reacts to its socio-economic environment and its success depends on reacting appropriately to that environment. The need for continuing the multi-agency approach can be attributed to the fact that credit needs of the farmers are bound to multiply in future. It was rightly pointed that the problems as well as prospects of rural banking in India have a long-term perspective not due to any external compulsion but due to inherent internal forces. So, it has been concluded that the Rural Banking is as much a matter of leadership as it is a matter of resource mobilization for credit dispensation.
Sajala Kalra and Karam Singh (2000), over dues of Regional Rural Banks, in Panjab shows that majority of them did not have a sound financial recycling system. It would be imperative to examine how for the dismal picture percolate, to the micro level in case of an otherwise successful RRB, it may be remembered that over dues should not be reckoned as if they were bad debts, but lending institutions have to treat them as warning signals indicating that the relevant loan accounts are irregular and call for close monitoring.

In a study by Patel (2001) provisions of micro – finance or lending amounts as small as a few hundreds of rupees to the very poor have been the recent successful experiment in developing countries. Micro finance concept and approach are more relevant to India’s poor now than ever before. All India Debt and Investment Survey Report of the RBI, 1981-82 categorically revealed that 76.7% poorest of the poor having assets up to Rs. 1,000 did borrow from non-institutional agencies. There is need for establishing and implementing the most efficient impact study system only then it would help to initiate corrective steps or abandon non-viable activity.

Anonymous (2001) highlighted the performance and achievements of a large number of Regional Rural Banks (RRBs) in Karnataka. It has been observed that all RRBs in Karnataka have by now understood the opportunities available and also challenges facing them. An analytical survey has been done with respect to various Grameen Banks functioning in the state. To be more specific, it was found that the Malaprabha Grameen Bank looks to the future with hope built on its successful image, the Bijapur Grameen Bank has been marching towards productivity and progress, the
Krishna Grameen Bank has been able to evolve suitable strategies to overcome problems associated with rural lending, the Chikkamagalur Kodagu Grameen Bank has a satisfactory performance in the reforms era, etc. Thus the book indicates the significance of banking facilities for the development of rural banking.

According to Rakesh Malhotra, (2002) majority of RRBs has celebrated their Silver Jubilee; hence, these institution could be labeled as adolescent banks metamorphosing towards maturity. Going by their par performance and the challenges lying ahead, there is imperative need for their reorganization. It is high time consolidation of RRBs is taken up in a programmable manner. If tangible reforms are not infused in RRBs to make them vibrant these institutions may fail to achieve the very objective for which they were conceived, and delay to oblivion. As is said 'A reform is correction of abuses; a revolution is transfer of power' there is a need for revolution in RRB reforms.

Srinivas Prasad (2003) studied Regional Rural Banks performance; evaluation reveals the performance of RRBs in the context of pre and post financial sector reforms period. In the first two and half decades of RRBs inception (1975-90), the expansion, area of operation and deposit mobilization of the banks were impressive. At the same time, they faced the problems like increase in over dues, multi agency control, lack of trained staff, increase in establishment costs, mounting losses etc. In 1990, the balance sheets of 156 out of 196 RRBs showed losses. The various committees, recommendations and measures were followed for development of RRBs. The diversification of business activities, application of prudential norms, restructuring of
RRBs, Dap / MOU plans, and deregulation of interest rates were important measures. As on 31st March 2001, 187 out of 196 RRBs have been covered under restructuring programme. The loss making RRBs were reduced from 152 (1991) to 26 (2002) and the losses of most of these banks were wiped off and they started making profits.

Patil (2005), studied the problems and prospects of co-operative credit systems in the country. He gave a brief sketch of the evolution of credit institutions in India dating back to 1973, when the beginning of institutional finances for agricultural was made through the system of taccavi loans. An important point that has been brought out from his analysis based on secondary data, was the issue of the high and risk costs of the co-operative institutions dealing with a large number of smaller cases and operating in a limited geographical area and sector. Author opined that the interest rates have to reflect the costs. Hence, suggests that the Government / RBI to study the cost structure of the Co-operative Banks to develop appropriate cost norms for rural banking and extend suitable support where the costs are higher in spite of efficient working.

Jayadevappa (2005), analyzed the functioning of different institutional sources of Agricultural Finance like RRBs, Commercial Banks, Co-Operative Banks, etc., in the context of their weakness, strengths and challenges found by them. He concluded that the Co-operative Banks must be preserved and developed, the efficiency, competitiveness and customer service of Commercial Banks must increase and there is need to strengthen the RRBs for the rural development in India. He also suggests for promotion of 'Micro Finance' through banks.
Rajaram Dasgupta (2005) observed that the one of the reasons for the poor performance of both public and private sector banks in extending credit to weaker sections is their high level of NPAs. This is not so in the case of SHG credit that has been growing at the rate of 120% per annum. However, growth in SHG credit has been unseen. But, besides the SHG model in extending credit to weaker sections, other different models like NGO’s – MFI, and linking with informal systems etc., need to be developed for extending credit to weaker sections. This accordingly demands a paradigm shift from “financial sector reform” to “micro finance reform”.

Satish (2005) has clearly brought out the fact that in agricultural credit, there are two classes of borrowers. One class, which has smaller land holdings, lesser capital equipments and is at the lower end of economic prosperity. The other class, which is basically the capitalistic farmer, who takes up farming on commercial basis. For these two types of clientele, the approach and system for credit delivery has to be different. Author viewed that the small and marginal farmers found to be the client of the co-operative banking system, with their less formal and more user friendly systems and commercial farmers prefer the commercial banking system that would be needed to tune their lending practices to suit these characteristics.

Narayanamoorthy and Kalamkar (2005) studied the major factors causing indebtedness in rural areas of Northern Telangana Zone. The major factors causing rural indebtedness were lack of know-how, irrigation facilities, increasing biotic and abiotic constraints, lower crop yield and farm income, etc., He suggested few remedial measures such as improvement of irrigational facilities, arrangement of sufficient credit from
valsamman antony (2005) revealed that as institutional finance is inadequate in rural area, money lenders rule the most of the rural population. the commercial banks are closing down rural branches and concentrating on profitability rather than service to the rural poor. organized lending through government institutions is to be reinforced to help the villagers to recover from debt and poverty to improve employment and productivity. in this context, the rrb's are specially suited to work safely in the rural area to channelise funds and to monitor regional development. at present, a target oriented, time bound, realistic and regional approach is needed for optimum results.

the main emphasis of the above studies was placed on the working of banks and their impact on the borrowers. earlier studies concentrated on performance of the institutions in general without making any distinction between either pre or post liberalization period or pre or post wto era. but based on the recommendations of the high level committee under the chairmanship of shri. m. narasimham on the financial sector reforms, a comprehensive reform of the banking system was introduced in india in 1992-93. as a result of the signing of the final act of gatt-1994 and setting up of world trade organization (wto) in 1995 created a new era of profound significance for the emerging financial system of the country in which banks are now functioning. it would be of great interest and enthusiasm for academicians to study the performance of a financial institution under changed circumstances, hence, selected m.g. bank for such analysis in the present study.