Chapter - 8

SUMMARY OF CONCLUSIONS AND SUGGESTIONS
1.0 INTRODUCTION

In India, the Scheduled Commercial Banks (SCBs) have been functioning under three different operational modes known as public sector, private sector and, foreign sector accounting for 75 per cent, 20 per cent and 5 per cent of banking business respectively. Of the total 87 SCBs, 26 are Public Sector Banks (PSBs) with 67,466 branches, 20 are Private Sector Banks (PRS Bs) with a spread of 13,452 branches and 41 are Foreign Banks (FOBs), with 322 branches in the country. Two decades have passed since the implementation of the Narasimham Committee recommendations. During this period, Information Technology (IT) has changed the world. Different techniques of Information Technology such as INTERNET, INTRANET and computerization have changed the systems of businesses. The banking sector, therefore, is able to provide various financial services and products besides banking. They have adopted different techniques of IT to provide better services to their customers keeping in view the international standards and norms. In spite
of all these changes, the profitability has deteriorated. The primary reason attributable may be the mounting NPAs. But the degree of variation in profitability across the three sectors of banks is dissimilar. Hence, to investigate the reasons for this, State Bank of India and Andhra Bank from public sector, Karur Vysya Bank and HDFC Bank from private sector and foreign based CB NA and Standard Chartered Bank have been selected and was carried out research through inter-bank and sectoral analysis using the standard parameters of operational, liquidity, solvency and profitability performances. The detailed study has yielded the following conclusions:

2.0 CONCLUSIONS

The following conclusions have emerged from the analysis and interpretations of core characters of the present research study.

2.1 Operational Performance

- SBI, HDFC Bank and CB had reported higher quantum of deposits when compared to their counterparts namely, AB, KVB and STCB. In terms of the growth of deposits, AB, HDFC Bank and CB had dominated SBI, KVB and STCB.

- In terms of term deposits as a percentage of total deposits, AB had registered a higher percentage than SBI. In the same way, KVB had dominated HDFC Bank and STCB had supremacy over CB. Besides, it is observed that there exist wide variations between the banks of three sectors.

- The growth rate of term deposits had reported a rise in all select banks. AB had reported a higher rate than SBI. HDFC Bank and CB had an edge over KVB and STCB respectively.

- The select banks had wide variations in the quantum of demand deposits. SBI and HDFC Bank had comparatively a higher proportion of demand deposits than those of AB and KVB. Between CB and STCB, CB had constituted slightly a higher proportion of demand deposits than STCB.
Further, it is observed that demand deposits had declined in all select banks except in STCB.

- SBI and HDFC Bank had advanced more funds than AB and KVB. Between CB and STCB, there was insignificant variation. CB had lent a bit more funds than STCB. The advances had increased in all six select banks over the study period. It is evident that there existed insignificant variation between SBI and AB and CB and STCB in terms of growth rate of advances whereas a wide variation is observed Between HDFC Bank and STCB. HDFC Bank had considerably a higher growth rate than that of KVB.

- In lending funds as loans and advances with respect to deposits, there existed insignificant variation between SBI and AB and HDFC Bank and KVB. There was considerable variation in the case of CB and STCB. STCB had registered a higher lending ratio than did CB.

- In terms of volume of business, wide variations are observed between SBI and AB and HDFC Bank and KVB. SBI and HDFC Bank had a comparatively higher volume of business than AB and KVB. Regarding the growth rate in business, AB had dominated SBI and HDFC Bank had dominated KVB. It is found that there was not much variation between CB and STCB in the volume as well as growth rate of business.

- There existed not much variation in terms of business per employee in select banks from public and private sectors. The share of business per employee in SBI was slightly higher than that of AB. Similarly, HDFC Bank had reported a higher share than it was in KVB. In the case of CB and STCB, CB had an edge over STCB. The growth rate of business per employee was higher in SBI when compared to AB’s growth rate. It was comparatively lower in HDFC Bank when compared to the growth rate of KVB. CB had showed a higher growth rate than STCB.

- In terms of business per branch, the branches of SBI, HDFC Bank and CB had shared comparatively higher volume of business than those of AB, KVB and STCB. Regarding the growth of business per branch, there
existed not much difference between the select banks of public sector and foreign banks. However, the business per branch had grown at a higher percentage in AB than it was in SBI and CB had reported a rise when compared with STCB. There existed wide variation between KVB and HDFC Bank. The growth of business per branch in KVB was comparatively higher than it was reported in HDFC Bank.

Public sector banks had grabbed the highest share of deposits when compared to private sector and foreign banks. Between private sector and foreign banks, private sector banks had higher quantum of deposits than foreign banks. Regarding the growth in deposits, private sector banks had witnessed comparatively higher percentage than those of public sector and foreign banks. Between private sector and foreign banks, the deposits had grown at a higher rate in private sector banks than in foreign banks.

Both public and private sector banks were almost on parallel line in the proportion of term deposits to their total deposits. However, Private sector banks had slightly a higher percentage of term deposits than they were in public sector banks. Foreign banks had comparatively lower quantum of term deposits than public and private sector banks. In terms of the growth rate also, the same picture is observed.

Foreign banks had the highest proportion of term deposits followed by private and public sector banks. It is also observed that the volume of term deposits had declined in select banks. Public sector banks had witnessed the highest declining rate followed by private sector banks while foreign banks had reported a low rate.

Public sector banks had advanced comparatively huge volume of funds. Between private sector and foreign banks, the quantum of advances was higher in private sector banks than it was in foreign banks. Contrary to this, the advances had increased at a higher rate in private sector banks followed by public sector and foreign banks.

Public and private sector banks had lent their funds with respect to deposits almost on parallel lines. However, the advances with respect to
deposits were higher in public sector banks when compared to private sector banks. Foreign banks had reported considerably a higher volume of advances with respect to deposits.

Public sector banks had shared the highest volume of business followed by private sector and foreign banks. However, the business had progressed at a higher rate in private sector banks followed by public sector and foreign banks.

The employees of foreign banks had shared comparatively the highest quantum of business. But there was not much variation in the share of the employees of public and private sector banks. The growth rate was higher in public sector banks followed by foreign banks. Private sector banks had reported a considerably lower ratio.

In terms of business per branch, the banks of three sectors had reported wide variations. Branches of foreign banks had grabbed the lion’s share. Between public and private sector banks, private sector banks had supremacy over public sector banks. Regarding the growth of business per branch, public sector and foreign banks had almost similar performance while private sector banks had reported a relatively lower level of growth.

2.2 Liquidity Performance

The current assets had exceeded current liabilities in AB in public sector and in KVB in private sector. Other select banks had higher volume of current liabilities than current assets. There was not much variation in the growth rate of current assets between SBI and AB and, between KVB and HDFC Bank. However, it had varied considerably between CB and STCB. In the growth rate of current liabilities, SBI and AB had almost similar growth rate whereas a slight difference was observed between KVB and HDFC Bank and, between CB and STCB. Hence, it is evident that select banks except AB and KVB had suffered from the risk of short term liquidity crunch.
In terms of current ratio, AB from public sector and KVB from private sector could maintain the optimum liquidity ratio of 1:1. Other select banks had ended up with a sub-optimum ratio of below 1:1.

There was not much variation in lending loans and advances between SBI and AB and, between CB and STCB while the variation was wide between KVB and HDFC Bank. KVB had advanced more funds than that of HDFC Bank.

In terms of investments to working fund, both SBI and AB had almost an equal quantum. But there was a slight variation between KVB and HDFC Bank and, between CB and STCB. HDFC Bank and CB had invested more funds than those of KVB and STCB in this regard.

AB and KVB had a higher quantum of deposits than SBI and HDFC Bank respectively with respect to working fund. It was observed that there existed insignificant variation in the volume of deposits between CB and STCB.

Borrowings with respect to working fund were higher in SBI and CB than they were in AB and STCB respectively. However, there was not much variation between KVB and HDFC Bank.

It is observed that there existed considerable variation in terms of core deposits (saving deposits and demand deposits) to working fund between SBI and AB and, CB and STCB while wide variation was found between KVB and HDFC Bank. The risk of liquidity was lower in SBI, HDFC Bank and CB than it was in their counterparts i.e. AB, KVB and STCB. The reason is that the core deposits with respect to working fund were higher in SBI, HDFC Bank and CB when compared to those of AB, KVB and STCB.

It is, further observed that wide variations were prevalent between SBI and AB and, between KVB and HDFC Bank with respect to non-core deposits to working fund while the difference was not much between CB and STCB. In terms of core deposits to working fund also, the same picture is observed as it is depicted regarding the core deposits to working fund. The
risk of liquidity crunch was noticed less in SBI, HDFC Bank and CB than it existed in AB, KVB and STCB by the fact that SBI, HDFC Bank and CB had higher quantum of non-core deposits (long-term deposits) with respect to working fund than they were in AB, KVB and STCB.

- There was not much variation between SBI and AB regarding the total purchased liabilities (deposits and borrowings) as against wide variations between KVB and HDFC Bank and between CB and STCB. The pressure on profitability was higher in AB, KVB and CB than it was in SBI, HDFC Bank and STCB as the volume of purchased liabilities was higher in AB, KVB and CB.

- The liquidity position was better in AB and KVB in terms of money market assets when compared to their counterparts Viz. SBI and HDFC Bank respectively. There was no variation between CB and STCB in terms of the liquidity position. However, the liquidity position was satisfactory in all six select banks.

- The liquidity level was unsatisfactory in select banks with the exception of CB with respect to temporary investments to volatile liabilities. However, the situation was somewhat better in SBI and HDFC Bank than it was in AB and KVB since higher ratios were recorded in SBI and HDFC Bank.

- It is found that the three sectors had signs of liquidity risk as current liabilities had exceeded the current assets. The growth rate of current assets was higher in private sector and foreign banks than it was in public sector banks. Between private sector and foreign banks, the former sector had an edge over the latter group of banks. In terms of growth rate current liabilities, private sector banks had shown a higher growth than those of public sector and foreign banks. However, there was not much variation between public sector and foreign banks.

- Regarding the current ratio, private sector banks could maintain the optimum ratio of 1:1 times whereas public sector and foreign banks had ended up with a sub-optimum level of below 1:1 times. So this situation had posed the liquidity risk in public sector and foreign banks.
Public and private sector banks had advanced comparatively higher quantum of funds than those of foreign banks. However, there a slight variation between public and private sector banks. Public sector banks had lent more funds than private sector banks.

Private sector banks had invested more funds than those of public sector and foreign banks. Between public sector and foreign banks, the former group of banks had shown an edge over the latter group of banks.

In terms of deposits to working fund, public and private sector banks had comparatively higher quantum than those of foreign banks. Besides, public and private sector banks performance was dissimilar. It is observed that foreign banks had borrowed comparatively more funds when compared to public and private sector banks. Between public and private sector banks, public sector banks had an edge over private sector banks. Thereby, the interest expended on borrowings was depicted at a higher rate in foreign and public sector banks.

Public sector banks had the highest quantum of core deposits (savings and demand deposits) followed by private sector and foreign banks. However, there exists insignificant variation between public and private sector banks. Hence, the risk of liquidity crunch was low in public and private sector banks when compared to foreign banks.

Public and private sector banks had comparatively higher volume of non-core deposits (long-term deposits) when compared to foreign banks. Hence, public and private sector banks were exposed to greater threat of liquidity risk than foreign banks.

The total purchased liabilities were higher in public and private sector banks than they were in foreign banks. Between public and private sector banks, public sector banks had an edge over private sector banks. So, both public and private sector banks had constituted higher pressure on profitability as they had to spend more earnings in the form of interest expended on purchased liabilities.
Three sectors under report had a comfortable position in terms of money market assets to money market liabilities. However, public and private sector banks had registered a better liquidity performance than foreign banks.

The position of public and private sector banks was unsatisfactory with respect to temporary investments to volatile liabilities when compared to that of foreign banks. The reason is that these two sectors of banks had ended up with sub-optimum ratio of below 1:1.

2.3 Solvency Performance

In terms of share holders’ equity to unsecured assets, AB, KVB and CB had a better position than SBI, HDFC Bank and STCB.

SBI had comparatively higher quantum of earning assets (advances and investments) with respect to shareholders’ equity than was the case in AB. This meant higher earning capacity but greater risk in SBI. Like that, HDFC Bank and STCB had higher volume of earning assets while they were a slightly lower volume in KVB and CB. So HDFC Bank and STCB had higher earning capacity and higher risk for shareholders.

In terms of earning assets to working fund, there were no wide variations between SBI and AB but between KVB and HDFC Bank and between CB and STCB slight differences were observed. KVB and CB had higher volume than HDFC Bank and STCB.

SBI, HDFC Bank and CB had borrowed more funds with respect to working fund than those of their counterparts i.e., AB, KVB and STCB to cope with the liquidity risk.

SBI and HDFC Bank had abnormally higher quantum of profits when compared to AB and KVB respectively. There was a slight variation between CB and STCB with regard to the volume of profits. STCB had an edge over CB.

In terms of the growth rate of profits, there was not much variation between SBI and AB whereas considerable difference was there between
KVB and HDFC Bank and, between CB and STCB. HDFC Bank and CB had registered higher growth rate than it was in KVB and STCB.

Regarding the shareholders’ equity to unsecured assets, foreign banks had sound position than those of public and private sector banks. Between public and private sector banks, private sector banks had comfortable position than public sector banks.

In the case of earning assets to shareholders’ equity, abnormal variations were observed among the three sectors of banks. Public sector banks had a lion’s share. Between private sector and foreign banks, private sector banks had comparatively higher quantum than foreign banks.

In terms of earning assets to working fund, public and private sector banks had supremacy over foreign banks. Besides, there was insignificant difference between public and private sector banks. Hence, earning capacity as well as risk was higher in public and private sector banks.

Foreign banks had borrowed higher volume of funds than of public and private sector banks. Between public and private sector banks, the former sector banks had higher volume of borrowings than the latter group of banks. This led a higher cost for foreign as well as public sector banks.

In terms of volume of deposits, public sector banks had abnormally higher quantum of profits than those of private sector and foreign banks. Between private sector and foreign banks, slight variation was observed. Foreign banks had higher volume of deposits than those of private sector banks.

In the case of growth of profits, private sector banks had depicted a higher growth rate than public sector and foreign banks. Further, there was not much variation in the growth rate of profits in public sector and foreign banks.
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2.4 Non-Performing Assets

The volume of gross NPAs was abnormally higher in SBI and HDFC Bank than it was in AB and KVB while there was a slight variation between CB and STCB. Hence, it is observed that the higher volumes of gross NPAs had deteriorated the asset quality in select banks.

In terms of growth rate in gross NPAS, there exists insignificant variation between SBI and AB whereas abnormal differences were observed between KVB and HDFC Bank and, between CB and STCB. The growth rate was comparatively higher in HDFC Bank than it was in KVB. Like that, STCB had suffered from the higher growth rate than that of CB.

In terms of gross NPAs as a percentage of gross advances, SBI had higher percentage than that of AB. Like that, KVB had registered higher percentage than that of HDFC Bank. However, CB and STCB had almost same percentages.

In the case of growth rate of gross NPAs as a percentage to gross advances, SBI had registered slightly higher growth rate than that of AB while KVB and HDFC Bank had recorded declined rates. Regarding foreign banks, STCB had comparatively higher rate than CB.

The provisions made were abnormally higher in SBI, HDFC Bank and STCB when compared to provisions made in AB, KVB and STCB. Besides, there existed wide variations in the growth rate of provisions among select banks. The growth rate was abnormally higher in HDFC Bank and STCB when compared to the growth rate of their counterparts i.e., KVB and CB. Between SBI and AB also, considerable difference was found. SBI had registered higher growth rate than AB. Hence, it is evident that profits had deteriorated in select banks with the exception of KVB due to deducting higher quantum of income as provisions.
SBI, HDFC Bank and CB had higher volume of net NPAs than their counterparts Viz. AB, KVB and STCB. The abnormal variations existed among select banks in terms of the growth rate of net NPAs. AB, HDFC Bank, CB had registered higher growth rate than it was in SBI, KVB and STCB.

In the case of volume of net advances, SBI and HDFC Bank had depicted abnormally higher quantum than those of AB and KVB. It was evident that there was slight variation between CB and STCB. STCB had higher volume of net advances than CB.

Regarding the growth rate of net advances, there was not much difference in between the select banks. However, it was observed that AB, HDFC Bank and STCB had dominated their counterparts i.e., SBI, KVB and CB.

In terms of net NPAs as a percentage of net advances, it was observed that there was not much variation between KVB and HDFC Bank and, between CB and STCB while considerable variation was there between SBI and AB. SBI had an edge over AB.

Public sector banks had abnormally higher quantum of gross NPAs when compared to those of private sector and foreign banks. Between private sector and foreign banks, foreign banks had constituted higher volume of gross NPAs. The gross NPAs had accumulated at alarming level in the three sectors of banks. Besides, the growth rate was also higher in public sector banks and foreign banks than it was there in private sector banks. Between public sector and foreign banks, public sector banks had higher growth rate than foreign banks. Hence, NPAs had deteriorated the asset quality and thereby the earning capacity of select banks had suffered a setback.

In terms of gross NPAs as a percentage of gross advances, foreign banks had registered higher percentage followed by public and private sector banks. In the case of growth rate, foreign banks had an edge over public sector banks while private sector banks had depicted declining rate.

Public sector banks had made abnormally higher volume of provisions when compared to those of private sector and foreign banks. Between foreign
and private sector banks, foreign banks’ provisions were larger than those of private sector banks. In terms of growth rate, foreign banks had higher growth rate followed by public and private sector banks.

- Net NPAs were abnormally higher in public sector banks. Between private sector and foreign banks also, wide variation was observed. Net NPAs had accumulated heavily in foreign banks than they were in private sector banks. Further, the growth rate of net NPAs was also comparatively higher in public sector banks than it was in private sector and foreign banks. Between private sector and foreign banks, private sector banks had witnessed higher growth rate while it was at the bottom level in foreign banks.

- Public sector banks had lion’s share of net advances while private sector and foreign banks had rudimentary amounts. Between private sector and foreign banks, foreign banks had edged down to private sector banks in terms of net advances. In the case of growth rate, private and public sector banks had higher growth rate while it was low in foreign banks.

- In terms of net NPAs as a percentage of net advances, public sector and foreign banks had an almost equal percentage whereas private sector banks had registered lower percentage.

2.5 Profitability Performance

In terms of spread to total income, both SBI and AB had similar quantum. Regarding private sector banks, there existed wide variation between KVB and HDFC Bank. The spread (gross profit) was at higher level in HDFC bank than it was in KVB. Between CB and STCB, there was a slight variation. CB had supremacy over STCB.

- In the case of spread to working fund, there was insignificant variation between SBI and AB and, between CB and STCB. The utilization of funds was almost the same between these banks. However, the utilization of funds varied slightly between KVB and HDFC Bank. HDFC Bank had an edge over KVB.

- In terms of interest earned with respect to total income, there was slight difference between SBI and AB and, between KVB and HDFC Bank. AB and
KVB had earned slightly higher income than their counterparts i.e., SBI and HDFC Bank. Interest earned had varied between CB and STCB. CB had comparatively higher earnings than STCB.

- In the case of interest earned to working fund, there was not much variation among the select banks. AB from public sector had slightly higher earnings than SBI. Like that, the earnings were almost the same between KVB and HDFC Bank and, between CB and STCB.

- In terms of interest expended with respect to total income, AB had expended higher amount on deposits and borrowings than that of SBI. In the same way, CB’s expenditure was slightly higher when compared to that of STCB. However, there exist wide variation between KVB and HDFC Bank. KVB had spent comparatively higher amount on the deposits and borrowings when compared to HDFC Bank.

- In the case of interest expended to working fund, AB and KVB and STCB had registered slightly higher expenditure than their counterparts Viz. SBI, HDFC Bank and CB respectively.

- In terms of burden to total income as well as working fund, the operating expenses were better covered by non-interest income in AB, KVB and STCB than it was in their counterparts i.e., SBI, HDFC Bank and CB respectively. Hence, the pressure on profitability was lesser in AB, KVB and STCB than those of SBI, HDFC Bank and CB.

- SBI, HDFC Bank and STCB had higher quantum of non-interest income when compared to AB, KVB and CB. Hence, the pressure on interest earned to meet the operating expenses was lower in SBI, HDFC Bank and STCB and thereby these banks had scope for higher profitability.

- The non-interest expenses (operating expenses) were slightly higher in SBI and CB than they were in AB and STCB. But, there existed considerable variation between KVB and HDFC Bank. Non-interest expenses were comparatively higher in HDFC Bank.

- In terms of total income to total assets, there was insignificant variation between select banks of three sectors.
The profitability margin was slightly higher in AB and KVB than it was in SBI and HDFC Bank. But there was considerable variation between CB and STCB. STCB had an edge over CB.

Return on equity was higher in AB and STCB than it was in SBI and CB. However, KVB and HDFC Bank were almost equal in terms of return on equity.

In terms of spread to total income as well as working fund, foreign banks had higher ratio of spread than those of public and private sector banks. Thereby, these banks had good chance to have higher level of profit margin. Between public and private sector banks, there was not much variation. However, private sector banks had slightly higher ratio.

In the case of interest earned to total income and working fund, foreign banks had registered lower income than public and private sector banks. Further, there was not much variation between public and private sector banks. The level of interest earned shows higher volume of earnings, assets and liquidity risk.

Public sector banks had expended higher volume of earnings in the form of interest on deposits and borrowings with respect to the total income as well as working fund followed by private sector banks. The interest expended was comparatively lower in foreign banks.

Burden (operating expenses) was better covered by non-interest income in foreign banks. Between public and private sector banks, there was no wide variation. Hence, the pressure on profitability was less in foreign banks than it was in public and private sector banks.

Foreign banks had comparatively higher quantum of non-interest income when compared to those of public and private sector banks. Between public and private sector banks, public sector banks had domination over private sector banks. Hence, the pressure on interest income was comparatively low in foreign banks than it was in public and private sector banks.
Non-interest expenses were higher in foreign banks than they were in other two sectors of banks. In the case of public and private sector banks, public sector banks had constituted slightly lower expenses than private sector banks.

Private sector banks had dominated public sector and foreign banks in terms of total income to total assets. There existed not much difference between public sector and foreign banks.

Foreign banks had a higher margin of profitability when compared to private and public sector banks. Further, between public and private sector banks, the profitability margin was low in public sector banks than private sector banks.

Regarding the return on equity, there was insignificant difference among the three sectors of banks. Public and private sector banks were almost on parallel lines while foreign banks had marked slightly lower return than the other two sectors of banks.

3.0 SUGGESTIONS

Based on the conclusions arrived from the analysis of financial performance of the select commercial banks, the following corrective measures are suggested to improve their performance.

The volume of deposits and the branch network are not satisfactory in AB, KVB, CB and STCB. Hence, these banks shall increase the volume of deposits by introducing customer – oriented schemes and spreading their branch network.

AB and KVB have still regional character. So they need to spread their network in the country by opening new branches as well as undertaking takeovers. Like that, CB and STCB are limited to major metros in the country. Hence, CB and STCB have to enter other major cities in the country.

The growth rate of deposits in select banks is low. To bring the upward shift in the growth rate, thrift – oriented programs shall be initiated to cultivate the habit of saving among the workers, artisans, vendors and the like, as still the banking institutions out of reach of these classes of people. Employee participation to bring in the deposits should be initiated in an effective way by announcing the incentives.
Select banks like SBI, HDFC Bank, CB and STCB have low quantum of long-term deposits in their total deposits. Hence, these banks shall increase long-term deposits so as to advance loans for longer periods to make their earnings bigger.

Demand deposits which make banks incapable of advancing long-term loans are at higher proportion in select foreign banks. So the volume of demand deposits shall be decreased in these banks.

The funds were underutilized in select public and private sector banks. Hence, these sectors of banks are required to advance more funds to improve their credit – deposit ratio and thereby interest earnings will shift to higher volume.

Business per employee and business per branch are low in public and private sector banks. Hence, manpower training programs shall be undertaken to train the employees to boost up the deposits and to advance the funds to more reliable persons and organizations.

The quantum of current assets shall be exceeded the current liabilities in SBI, HDFC Bank, CB and STCB to have optimum current ratio and thereby free from the risk of liquidity. Hence, these banks have to reduce their volume of demand deposits and borrowings to achieve the optimum CR and get rid of the risk of liquidity.

Advances with respect to working fund are low in select banks especially in foreign banks. Hence, advances must be improved in all select banks. For this, a portfolio of loans shall be created. It serves the twin objectives of social banking as well as economic viability of banks. Further, more customers should be brought under the umbrella of banking services to expand business through aggressive campaigns.

Select banks can improve their volume of lending by identifying bankable projects that are more suitable in their areas of operation. For this, these banks may collaborate with other organizations which are engaged in
entrepreneur and infrastructure development activities to take up more financially viable means of income generation.

- Select banks shall plan to invest more funds in government securities as well as short-term marketable securities since the investments are low to meet volatile liabilities and unforeseen liquidity risk. Increase in advances and investments lead to higher volume of earning assets which brings in higher returns.

- Volume of borrowings is registered at higher percentage in select foreign banks. Hence, they need to reduce the volume of borrowings to have less cost.

- Purchased liabilities which incur a cost are at higher percentage whereas deposit utilization is low in select public and private sector banks. Hence, these banks need to utilize the deposits in a better way by advancing more loans to withstand the pressure on profitability.

- SBI, HDFC Bank and STCB have higher volume of unsecured assets with respect to shareholders’ equity. So, these banks shall reduce unsecured assets to be free from asset deterioration.

- Non-performing assets are at alarming level and have eroded the profits of all the three sectors of banks. Hence, stern steps shall be taken to recover the loans. When advancing loans, credit worthiness of clients should strictly be taken into account. Banks must be free from the influence of politicians while lending loans.

- Banks are required to have more powers to recover the loans from the defaulters. The existing legislative measures such as Debt Recovery Tribunals and SARFAESI Act must be given must be strengthened for the speedy recovery of default loans.

- Select banks are better to plan to sell their NPAs to asset reconstruction companies (ARCs) to improve the quality of assets. Besides, a separate special wing must be formed to concentrate on NPAs from time to time since the regular staff engages in day to day business activities.
In public and private sector banks, procuring costs are high and utilization of funds is low. Therefore, these sectors of banks need to bring improvement in the utilization of funds and shall acquire the funds at lower costs to reduce the cost of funds viz. interest expended on deposits and borrowings and, thereby, to increase the spread.

Interest income in select foreign banks is comparatively low because of under utilization of funds. Hence, foreign banks had better utilize the funds to the full extent. Like that, in public and private sector banks also, utilization of funds is not satisfactory. Hence, all select banks shall increase their lending percentage of funds.

Non-interest income in select public and private sector banks is low. Hence, there is a need to improve the non-interest income to reduce the burden. Therefore, select banks have to initiate various non-banking services such as underwriting, D-Mat services and the like, to bring upward shift in non-interest income. Besides, there is growing demand from NRIs and the working class in metros as well as urban centers for quick and easy money transfer services. So by taking up inland as well as offshore fund/money transfer services through partnership with other banks and money transfer agencies, non-interest income can be increased. Higher quantum of non-interest income covers the operating expenses to a greater level and thereby pressure of burden will be less on the interest earned.

The major concern in non-interest expenses is the huge amounts of provisions made to write off NPAs. Therefore, control of NPAs will bring down the operating expenses, lowering the pressure on profitability.

The total income when compared to total assets is at a low in select banks. The reason for this state is deterioration of quality assets and underutilization of funds. Hence, select banks shall utilize their assets to the maximum extent and, at the same time, reduce their- non-performing loans.

The profit margin in select public and private sector banks is not satisfactory. The reason is that operating expenses are high. Hence, they need to be reduced as much as possible. Besides, if NPAs are controlled effectively,
the pressure of provisions for NPAs will become low and thereby operating expenses can be checked. At the same time, non-interest income will go a long way in increasing the total income. To reduce the NPAs, recovery performance must be sound. For this, select banks should fix up recovery targets to field staff and encourage them through incentives on the achievement of targets.

- There is a need to improve liquidity position in select banks. Hence, they need to concentrate on striking a balance between liquidity and profitability. Banks may setup committees for managing the short-term solvency effectively through models of forecasting and budgeting.

- To meet capital adequacy norms, select banks should increase their capital base by retaining the profits and raising the additional debt from cheaper sources such as shares issue and the like.

- There is a dearth of managerial talent in select public sector banks. This can be tackled by undertaking training programs and taking right choice in promotions.

- As there is more appetite in the market for good quality equity/debt issues from banking sector, select banks shall consider the option of tapping capital markets for raising more equity and debt to improve their solvency.

- Select commercial banks shall go for the constant support in the form of technology transfer and process upgradation to maintain the customer relation in a better way.

4.0. SCOPE FOR FURTHER RESEARCH

The present study is focused on the performance evaluation in commercial banks. The emerging areas for further research are:

- Asset – liability management of commercial banks
- Analysis of non – performing assets in commercial banks
- Liquidity management in commercial banks
- Profitability performance of commercial banks