CHAPTER II

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A number of research studies have been conducted by researchers and research organisations in India and abroad on various aspects of banking sector. Similarly, a number of research papers have been published by academicians and practioners in India and abroad highlighting the various indicators in the banking sector performance. It is noted that a large number of research projects / studies have been undertaken in this area by the NIBM, Pune, IBA, Mumbai and RBI. Besides, a number of papers have been presented on the topic under study by the eminent academicians and practising bankers in the conferences and national and international seminars. An attempt has been made to review a few of the above studies and papers as a starting point for the present study.

Chakrabarty (1990)[1] studied the impact of credit policy on profitability and viability of Indian banking system. The analysis indicated that banks have become loss making units and whatever profit is recorded is at the cost of long-term viability of the banking system. It is suggested that the only alternative left is to make the necessary changes in the credit policy, in general, the interest rate structure in particular, which alone can improve the overall profitability of the banks.

Raju (1991)[2] also discussed the question of viability of commercial banks. The study observed that since 1980, environmental constraints and pressures, statutory pre-emptions, administered prices of various services, monetary instruments, concessional lending , public preference for long term and high yielding deposits have continued to threaten the commercial viability of Indian banking. It was observed that the relative performance of foreign banks with respect of profits, deposits and credit was better as compared to their Indian counterparts, because of their high level of operational efficiency, labour productivity, better fund management and relatively limited regulations.

However, on account of being foreign banks, their impact on the economy and output yielding activities is limited. Credit-deposit ratio of foreign banks have been high.

In addition to some private researches, the government of India also constituted some committees from time to time, to look into the different issues relating to banking sector in India. Kushro committee (1993)[3] was constituted to review the working of agricultural credit system in India in the year 1986 but the report was tabled in parliament in the year 1993. The committee recommended that the Differential Rate of Interest (DRI) scheme should continue to support the national plans for agricultural development. It was also of the opinion that the human resource development should be emphasized for improving the quality of agricultural credit system. It laid stress over the pre lending appraisal and strict monitoring of loans and recoveries. The committee was of the view that the norms and procedures related to rural lending should be reviewed and simplified. It opined that more autonomy should be given to the branch managers with respect of sanctioning of loans. The committee also suggested that information system should be improved in the banks. The crop insurance scheme should be started and a separate credit guarantee scheme should be formulated. It further recommended that the schemes, which are created for meeting the rural credit, such as Integrated Rural Development Program (IRDP) etc should be thoroughly reviewed.

Swami and Subrahmanyam (1993)[4] made a comparison between the level of efficiency in 28 public sector banks during 1971 to 1973, and 1987 to 1989. Compound growth rates were calculated to analyse the increase in different banking indicators during this period. Taxonomic technique was used for driving a single measure of performance based on several indicators of banks' business activities. Most of the banks registered huge difference with respect of their overall performance as compared to the ideal one.

Ghosh committee (1995)[5] suggested number of precautions, which the banks should adopt to avoid the incidence of frauds and malpractices in in them. It recommended the joint-custody, dual responsibility of cash and other valuable and reporting of transactions in currency chests and purchase and sales in full detail to the Reserve Bank of India.

Satyanarayana (1995)[6], after ascertaining the exact position of the banks in the post reforms period, analysed the strategies the banks should adopt to improve their capital base. It was emphasised that after reforms, a new basis of classifying the public sector banks, depending on profitability level, has emerged. The study revealed that in 1994 out of total 27 public sector banks, fifteen belonged to 'A' category (those banks, which have significant income to earn net profits after making necessary provisions and contingencies). Seven banks were operating in 'B' category, (those banks, which after operating profits have not sufficient funds to provide for the provision, thereby incurring net losses). And the remaining were placed in the 'C' category (those banks, which were unable to earn significant income to enjoy sufficient operating profits). Apart from studying the profitability of above-mentioned groups of banks, capital adequacy position and other balance sheet trends were also discussed. Further, some short term and long term strategies for enhancing the profitability level were suggested.

Joshi and Little (1996)[7] observed that on the eve of banking reforms Indian banking sector was financially unsound, unprofitable, and inefficient. They made a critical examination of the changes that have been taken place in the banking sector after reforms. Further, what remains to be done with respect of pre-emption of bank resources, directed credit, deregulation of interest rates etc, in the field of banking sector were also elaborately discussed.

Das (1997)[8] in his study reviewed the overall efficiency (technical, allocation and scale) of public sector banks for a period of 1990-96. The study found a decline in overall efficiency, due to fall in technical efficiency, which was not offset by an improvement in allocated efficiency. However, it pointed out that the deterioration in technical efficiency was mainly on account of few nationalised banks.

Sankar and Das (1997)[9] highlighted the performance of public, private and foreign banks by using measures of profitability, productivity and financial management for the year 1994-95. They found public sector banks competing poorly with the other two categories. However, they caution that no firm inference can be derived from a comparison done for a single year.

The focus of the study made by Das (1999)[10] was to compare the inter-bank performance of public sector banks for three years (1992,1995 and 1998) in the post-reform period. He found certain convergence-taking place in the performance of the banks during the period under study. It was observed that an increase in emphasis on non-interest income is a welcome change but the banks behavior to opt for risk free investments over risky loans may have serious effects on the economy.

Rajaraman, et.al, (1999)[11] explained interbank variations in net non-performing assets (NPA) for the year 1996-97. The study was performed by a specification that included intercept dummies by ownership category, bank-specific prudential and efficiency indicators, the region of operation as measured by percentage branches in each of a set of state clusters. The analysis revealed that the foreign banks of Asia and West-Asian origin performed not better than domestic private banks in terms of NPAs. The findings show that the bank’s specific characteristics, such as ownership to prudential norms, do not suffice to explain inter-bank variations in NPAs. It was concluded that the sustainable reforms in the financial sector and improvement in the performing efficiency of the domestic banks are very essential.

The RBI (2000)[12] studied that how deregulation has effected the bank's performance. The RBI's study covered all categories of the banks. It was observed that there has been a decline in spreads and a tendency towards their convergence across all the bank-groups except foreign banks. Intermediation costs as percentage of total assets was also found to have declined especially for the public sector banks and new private sector banks, largely due to decline in their wage cost. Capital adequacy and asset quality have both improved over a period of 1995-96 to 1999-2000. Median profit per employee of the public sector bank witnessed a significant rise between 1996-97 to 1999-2000. Further, it was found that non-interest income to working funds also rose modestly for the median public sector banks. The cost to income ratio declined both in the SBI group and the nationalised banks.

Garai, et, al (2001)[13] in their study assigned ranks to the different scheduled commercial banks on the basis of their performance scores. The study is confined to the period 1995-96 to 1997-98 and six indicators reflecting different aspects of bank's operating efficiency were selected. The weights were assigned on the basis of multi-group discriminant analysis. The ranking of banks with respect to their performance did not change much during the period under context. The existence of group difference was also examined applying parametric test procedure. The results confirmed the view that the performances of public sector banks were generally not good enough in comparison with those of private and foreign banks.

Kannan, et.al, (2001)[14] made an attempt to identify the factors influencing spreads of scheduled commercial banks in India. The relevant data for the period 1995-96 to 1999-2000 was collected from the 27 public sector banks, 31 private sector banks and 28 foreign banks. For the purpose of analysis, time series pooled data estimation procedure was used. Pooled data models pre-suppose the fact that the differences across units can be captured in differences in constant term as in fixed effect models. The generalised least square approach was also used for carrying the analysis. The study revealed that bank size does not necessarily imply higher spreads. Secondly, higher non-interest income as a share of total assets enables banks to tolerate lower spreads. With regard to regulatory requirement variables, it was found that capital plays an important role in affecting spreads of the public sector banks. Non-performing assets were found to be uniformly relevant across all the bank groups in influencing spreads.

Nayak (2001)[15] made an attempt to compare liquidity, productivity and profitability of foreign and domestic banks in India during 1985-86 to 1996-97. The study is based on bank-wise secondary data on number of variables like employees, branches, total assets, interest paid and expended, total deposits and advances, profits and expenses. The results revealed that productivity in terms of labour, branches and profitability was higher in foreign banks than the domestic banks. Foreign banks are least involved in socio-economic policies of the government, on account of which they registered higher profits.

Singh (2001)[16] made an attempt to assess the impact of the reforms on the operational performance and efficiency of the commercial banks in India. The ratio analysis has been used as a major tool for assessing the performance of the selected commercial banks. The study revealed that total income as a percentage of working funds and or total assets, and spread as a percentage of total income/ working funds/ total advances/ total deposits have improved in the post-reform period against the pre-reform period in most of the banks. Total income interest earned, other income, spread, total expenses, interest expended, operating expenses and establishment expenses are comparatively more consistent in the post reform period. The hypothesis that the profitability position has improved in the post-reform period may be accepted to some extent. It was observed that in the public sector banks the size of NPAs has also reduced to some extent and quality of service has improved in the post-reform period. The priority sector lending has registered a decline in the deregulation era.

Subramani and Raghar (2001)[17] analyses and compared efficiency in the six public sector banks, four private sector banks and three foreign banks for the year 1996-97. Operational efficiency is calculated in terms of total business and salary expenditure per employee. The analysis revealed that higher per employee salary level need not result in poor efficiency and business. Per-employee efficiency co-efficient were also calculated. Among the public sector banks, Bank of Baroda registered the highest efficiency and operating profit per employee. Among the private sector banks Indus Ind Bank followed by City Bank registered the highest and second highest operating profit per employee respectively. However, amongst the nationalised banks there existed wide variations of efficiency.

Chandhuri (2002)[18] examined some important relevant issues relating to growth and profitability in the public sector banks for the year 1995-2001. It is opined that the public sector banks are facing triple jeopardy. First they are losing market share. Second their profitability is being seriously squeezed and lastly their balance sheets are not strong and their sovereign support, which had buttressed them so far, becoming open to question. The reason for this was less than enviable condition of the public sector banks are many, but a principal operative factor derives from the nature of their ownership and what that translates in terms of goal and priorities. However, it was concluded that the public sector banks in India are neither very strong nor very weak.

D' Souza (2002)[19] in his study evaluated the performance of public sector, private sector and foreign banks during the period 1990-1991 to 1999-2000. The efficiency of the banking system was measured in terms of spread/working funds ratio and turnover/employees ratio. With reference to the spread working funds ratio, the efficiency of the commercial banks as a whole has declined in the post-reform period. The public sector banks have been responsible for this decline and efficiency of the private and foreign banks has improved over the course of 1990's. Though the turnover/ employee ratio has raised in the public sector banks, the turnover per employee in the private and foreign banks doubled relative to the ratio for public sector banks during this decade. However, the analysis revealed that the profitability improved relatively to that of private and foreign banks.

Mathur (2002)[20] in his paper raised the different issues, which arise in the context to privatisation of the commercial banks in India. The re-capitalisation and budget burden argument was examined. Further, issues relating to competition, efficiency and ownership were also analysed. After giving an over view of financial sector reforms, their impact on the performance of the public sector banks was also evaluated. It was concluded that the case of or privatisation of the public sector banks in India is not strong enough. The researcher warns that the private sector banking would have a large probability of crisis if the supporting legal and regulatory framework were not sound enough to insulate the system from the adversaries of extraneous pressures.

Ram Mohan (2002)[21] in his paper documented and evaluated the performance of the public, private and foreign banks since deregulation in absolute and in relative terms, and attempted to understand the factors behind their improved performance. It was observed that the efficiency of the banking system as a whole measured by declining spreads has improved. The performance of public sector banks has improved both in absolute and relative terms. Further, he takes up the issues of trade-off between efficiency and stability in banking. It was observed that efficiency should not be at the cost of stability. He cautioned that Indian experience so far suggests that government ownership might conduce to such trade off.

Chidambaram and Alamelu (1994)[22] studied the problem of declining profit margin in Indian public sector banks as compared to their private counter parts. It was observed that in spite of similar social obligations, almost all the private sector banks have been registering both high profits and high rate of growth, with respect of deposits, advances and reserves as compared to public sector banks. The regional orientation, better customer service, proper monitoring of advances and appropriate marketing strategies are the secrets behind the success of private sector banks.

Sathish et. al., (2005)[23], in their paper adopted CAMEL Model to analyze the performance of Indian Banks. The author analysed the performance of 55 banks for the years 2004-05, using CAMEL Model. Finally they concluded that the Indian banking system is very sound and information technology will help the banking system.

Das A.K (2001)[24] has made a comparative analysis of public sector banks in India. The main objective of the study is to analyse the performance of public sector banks in general. The study has analysed the key functional parameters of leading banks such as SBI, PNB, Canara Bank and Bank of Baroda during 2001.

The findings of the study during the period under reference have indicated a mixture picture. While on the business front, deposit volumes increased considerably, the level of advances continued to be sluggish. Operating profits for PSBs as a whole declined marginally, whereas the dip in the case of net profits was quite significantly, due to the outgo on account of Second Voluntary Retirement Scheme (SVRS) and higher provisions for non-performing assets. However 2000-01 also featured increase in capital adequacy ratio, lower net NPA ratio and a general improvement in profitability and productivity parameters for banks.

Sampath Lakshmi N(1997)[25] in her thesis entitled "Performance of commercial banks with particular reference to public sector banks". Analysed the performance in terms of deposits mobilisation, loans and advances and profitability. They study is based on secondary data. The study covers a period of 12 years from 1980 to 1991-92. The sample banks chosen on the basis of group-wise as banks nationalised in 1969 and 1980, location wise viz banks which are based in south India and banks not based in South India. Deposit-wise like banks with deposits less than Rs.1000 crore and more than Rs.1000 crore. The major findings of the study are: the deposit growth of commercial banks during the pre and post liberalisation periods registered a rising trend, the deposit mobilised by south based banks is comparatively lower than that of those banks not based in south. In case of group wise analysis of deposits the State Bank of India is occupying the first position followed by the banks nationalised in 1969 and banks nationalised in 1980.

SBI has granted more volume of credit. Group-wise analysis performance has revealed that those banks which are nationalised in 1969, have done well in disbursal of advances. It is found that the south based banks have performed better in the area of educational loans.

Banks which were nationalised in 1980 achieved profit in terms of percentage of deposits and income are better placed than the banks nationalised in 1969. But profit as a percentage of advances per branch profit, are better for the banks nationalised in 1969. Profit as a percentage of income was better for south based banks.

Devamohan A (2002)[26] has attempted to evaluate the performance of State Bank of India. The main objectives of the study are: To analyse the performance of SBI in terms of deposits, advances, investments and profit and to analyse operating ratios, earning, productivity ratio, CAR and asset quality ratio of the bank. The study is based on secondary data. Some of the major findings of the study are (i) SBI has witnessed a favorable deposit growth and it’s attributed to its strong network of branches, introduction of millennium deposits scheme and resurgent bonds. (ii) Advances moved in same direction as that of Indian banking industry, but the market share of advances is declining. (iii) Investment has an inverse relationship with advances. (iv) Profit was fluctuating during the study period and as a result market share of profit decline. (v) The average market share of branches are in the decreasing trend mainly due to the entry of New Generation Private Sector Banks. (vi) Profit per branch, business per branch, profit per employee has increased considerably. (vii) Interest spread, operating profits, provisions and contingencies, operating cost and non-interest income had declined. (viii) NPAs of the SBI dropped marginally during the study period.

Sahoo RK (2002)[27] in an article that author studied the comparative performance of select public sector banks. The study aims to analyse key financials and efficiency parameters of the selected banks for the year 2001-02. The study revealed the following findings: For public sector banks the study period could be considered as progressive period. In the recessionary trends prevailing in the economy, these banks improved their business and profit volumes considerably to a great extent. Performance in terms of efficiency and profitability, these banks posted definite improvements. Although treasury operations constituted the silver coating with real sector, banks demonstrated the ability to cope well with cylindrical abbreviation by way of prudently diversifying into new potential avenues. In this year there was substantial progress in terms of compliance with prudential norms and optimisation of cost in the post-second VRS scenario. Even in the face of depleted staff strength PSBs could manage to pick up their operational deserves enthusiastically good from all quarters.

Nayan (1985)[28] has evaluated the performance of the nationalised commercial banks. He aimed at examining the prevailing system of performance and developed a model for evaluating the performance of the banks. The study covered all the fourteen nationalised banks. The study revealed that since nationalisation, there has been an unprecedented growth in branch expansion, and rise in deposit mobilisation in close association with branch expansion. They also registered an admirable growth in loans and advances, fall in establishment expenses and rise in profitability. However, the recovery performance of the banks has not been satisfactory especially in the case of rural and semi-urban branches. The performance evaluation model developed in the study incorporated major quantifiable parameters of “national priorities” and “operational efficiency” by assigning them appropriate weightage.

Ramappa (1999)[29] made an attempt to evaluate the performance of Regional Rural Banks (RRBs) in general and the RRBs set up and functioning in the Rayalaseema region of Adhrapradesh in particular. The performance of RRBs was evaluated in terms of certain important indicators such as branch expansion, deposit mobilisation, credit deployment, recovery of loans and financial viability. These indicators refers to the quantitative dimension of the issue, in which it was also attempted to highlight the qualitative changes that have taken place in the operation of RRBs over a period of time.

The study reveals that the RRBs have achieved a remarkable progress in respect of branch expansion, credit deployment and geographical coverage. The expansion of banking had been mostly in neglected areas. The number of RRBs increased from six in 1975 to 196 in 1992. It is evident from study that Uttrapradesh ranked first in India with regard to number of RRBs (42) branches and districts covered. There has been continuous increase in the deposit of RRBs but the recovery performance of RRBs has not been satisfactory.

The study confined to 3 RRBs viz Royalaseema Grameen Bank (RGB), Sree Anantha Grameen Banks (SAGB) and Shri Venkateswara Grameen Bank (SVGB). All the three RRBs have opened 283 branches, out of these 90 per cent are working in rural areas.

The result of the study are: i) The deposits of three RRBs amounted to Rs.210.13 crore in 1994, of which the share of RGB was Rs.111.94 crore followed by SAGB Rs.52.52 crore and SVGB Rs.35.28 crore (ii) Rayalaseema region has achieved a significant progress in lending loans to priority sector activities, constituted more than 70 per cent of total outstanding advances of all the three RRBs. (iii) The total outstanding advances of RGB rose from Rs.8 lakh in 1976 to Rs.131.54 crore in 1994. (iv) The credit-deposit ratio of these RRBs was valued low in the initial stage and subsequently increased to a considerable extent from 50 per cent to 211 per cent. (v) The recovery performance of RRBs has not been satisfactory. But the recovery performance of SAGB is comparatively better. The reasons are defective loaning policies, weak monitoring, willful defaulters, loan waiving and diversion of credit for consumption purpose.

It is observed that the rate of growth in expenditure was higher than that of income. The RGB have not earned in all the years of their operations. While SAGB has been incurring losses and it could not earn profit except in 1981. The correlation analysis reveals that the variable spread has positive and significant relationship while the variable burden has significant and negative relationship with the profitability of RRBs.

The study identified the important problems of RRBs and at the end a few useful suggestions have been offered thus achieving financial viability of RRBs so as to enable them to extend adequate and timely credit to weaker sections of rural population in future.

Shirish Kulkarani R (1996)[30] has attempted to appraise the performance of urban cooperative banks in India and Gujarat with special reference to Vodadara district and Vodadara city. The main objective of the study are; (i) to study the overall position of UCBs in Gujarat in general and specifically in Vodadara district. (ii) to assess the performance of the selected UCBs with such parameters like deposits, advances, profitability and other related parameters.

The major findings of the study are (i) Deposits, advances and profit of the UCBs have shown an impressive performance during the study period (1983 to 1992) (ii) within the circumference of three kilometers area of

Vodadara district nearly 20 urban bank offices are competing with the Scheduled Commercial banks office successfully. (iii) The study revealed that urban banks in Vodadara realised that urban people have equal or more faith in UCBs rather than in commercial banks. Scheduled commercial banks deposits per bank office were Rs.308 lakh, whereas all the 6 UCBs, deposits per bank office is more than Rs.310 lakhs. Annoyana bank has deposits of Rs.865 lakh per bank office. (iv) The loans and advances of Alvi banks have risen nearly of 8 times during the ten years. The average credit –deposit ratio for ten years every urban bank is than 56 per cent. (v) There is high degree of relationship (positive) between advances and profit of the urban banks. (vi) The study reveals that there is an increasing earning capacity of the banks of Vodadara city. The Baroda city banks were earning the highest profit of Rs.104 lakh.

Rengasamy V (2001)[31] attempted to analyze the factors influencing profitability of the member cooperative urban bank limited, covering a period of ten years from 1988-89 to 1987-98. Data for the study have been collected from the published audited reports of the bank. The study reveals that an increase in expenditure leads to the reduction in profit. The study concluded that the improved profitability of the bank largely depends on due attention of various factors viz., interest rate spread, salary and other expenses.

Ravindran .V (2001)[32] in his survey studied the performance of Local Area Banks (LABs) which are a new set of private sector banks with jurisdictions over two or three contiguous districts. The objective of the study was to establish the relevance and viability of LABs in India. These LABs were introduced in August, 1996 to facilitate the mobilisation of rural savings and make them available for investments in those local areas in particular. They are expected to bridge the gaps in credit availability and strengthen the institutional credit framework in rural and semi-urban centers and provide an efficient and competitive financial intermediation services in their area of operation. As of now these LABs have opened only 25 branches of which only seven are in rural areas.

The study analysed the key functional indicators such as deposits, advances, branches, priority sector advances and profitability of LABs. The study covered all the four LABs which are functioning at present viz., (1) Coastal Local Area Banks Ltd (2) Capital Local Area Bank Ltd (3) South Gujarat Local Area Bank Ltd (4) Krishna Bhima Samrudhi Local Area Bank Ltd. The findings of the study revealed that (i) LABs have not made any impact on the local communities in terms of any of the significant indicators such as deposit mobilisation, number of depositors, number of borrowal accounts, number of rural branches and number of poor people helped. (ii) Their present capital base are unlikely to make themselves felt on the rural scene as significant purveyors of credit in the foreseeable future. (iii) It is also felt that a measure of liberalisation of procedures in regard to the opening of rural branches of LABs is called for.

Gurunath HJ (1994)[33] in his thesis entitled Performance Evaluation of Regional Rural Banks-a case study of Karnataka state. The objectives of the study is to know the impact of deposits, advances, over dues, incomes, expenditure and other specific variables on performance of the RRBs. The study is based on both primary and secondary data.

Robert .M (1994)[34] in his thesis, stated that profit is an accepted yardstick to measure the performance of an organisation and the efficient use of resources. The author studied the trends in profitability, factors affecting profitability, assessing the operational efficiency and to suggest measure to improve the profitability of the banks. The overall objective of the study is to find out the trends in the factors affecting profitability and to use the results for profit planning. The main objectives of the study were to analyse the trends in the profitability of the selected PSBs and cost benefit factors affecting profitability. The study is made for a period of 15 years from 1973 to 1987. The source of data used for the study comprises of both primary and secondary data. The findings of the study; year-wise trend in profitability had declined in 8 out of 15 years. Bank-wise trend in profitability revealed that out of 14 banks, 12 banks showed a declining trend of profitability for 7 or more years out of 15 years. The growth rates of the various cost benefit factors were studied in relation to the growth rates of working funds–operational efficiency based on manpower expenses plus other expenses to total business revealed that Bank of India (BI), Indian Bank (IB) and Allahabad Bank (AB) were the highest cost effective banks whereas operational efficiency based on manpower expenses and other expenses to total staff, revealed that Central Bank of India (CBI), United Commercial Bank (UCB) and Development Bank (DB) were the highest cost effective banks. Finally the author gave suggestion that to ensure efficient credit management; advances should be given only if the project satisfies the test of technical, commercial, financial, economic and managerial feasibilities. Income under receipts can be increased by giving a greater thrust to non-fund based business. Optimum-utilisation of the staff is the only way for serving enhancing total business or for discharging the existing service efficiently. Government inferences in the working of the banks should be avoided. Implementation of the above suggestion, should help the banks to improve their profitability, and this will ensure safety and adequate return on public funds and smooth entry of PSBs on the 21st century will then become a became for other public enterprises to foster.

Brahmananda PR (2001)[35] analysed spread ratio of all the public sector banks during the period (1991-2001). The author assured that the ratio of non-interest income to interest income is either not significant or is the same in each public sector bank, the comparison of the spread ratios of the different banks provides one measure of the relative efficiency of different banks. The spread (ratio) is the difference between the average ratios of interest income to assets and the average ratios of interest expended on liabilities, it seems that 3 per cent should be the normative ratio to be sought in the present circumstances. But it seems to be an exclusive figure for most of banks including leading players. In the case of all the public sector banks, the mean spread was 3.36 per cent in 1991-92 there after it fell to 2.23 per cent and 2.35 per cent in 1992-93 and 1993-94 respectively, it started moving up thereafter, again and reached 3.16 per cent in 1996-97, but it dipped to 2.94 per cent in 2000-01. Till 1996-97, interests rated were going up, but there after this have been falling consistently. Thus means that unless the banks are able to reduce deposit rates proportionately, the spread ratios will start moving down. The author found out coefficient of variation among the public sector banks in respect of the spread ratio was 0.316 in 1991-92 and it fell down to 0.160 in 2000-01. Over a period of about 10 years, it has fallen down by nearly 50 per cent, indicating a strong drift towards convergence among the public sector banks.

Syndicate bank had an average ratio of 2.75 per cent for the above eight year period and it had moved up to 3.04 per cent in 1999-00 and further to 3.87per cent in 2000-01 the highest spread ratio among all public sector banks in the year. There are still problems in the Indian Bank, the spread ratio which was below from 1995-96 to 1998-99 moves up to 1.84 per cent in 2000-01. The SBI had an average spread ratio of 3.11 per cent for the eight year period. But it feels down to 2.61 per cent in 2000-01. The ratio of wage bill to assets of the PSBs will not tend to fall below 2 per cent and the provisions and contingencies will have to be allowed that may range from 0.9 per cent to 1.0 per cent.

The author concluded that the constraints regarding these ratios cannot be lifted given the political and social conditions in the country. The different political parties have agreed to treat trade union power as something beyond their control. Any forced measure to reduce the normative spread ratio will lead to disruptions in the working of the banks.

Sudakkadulla J and Subbaiah S (2002)[36] in his article studied profitability as a measure of performance is widely accepted and used by bankers, Financial Institutions (FIs) and companies, of late, a number of performance measure have been developed and used for evaluating organisations. In this article, the author have been designed a comprehensive index model to evaluate organisational performance, taking into account operating profit to working funds (OPWF), return on assets (ROA), operating profit margin (OPM) and net profit margin (NPM) which are widely employed for measuring financial performance.

However, in the fast changing scene of banking sector reforms and consolidation, ranking system cannot be treated permanent. Similarly, parameters chosen for ranking will significantly alter the ranks among banks. The ranking have taken into account only the financial performance indicators and did not consider the size and diversity of operations of banks. Subject to this limitation, the performance index (PI) model provide pointer to the relative financial performance of banks.

Rishikesha T.Krishnan (2002)[37] stated in his article that since liberalisation gathered pace in the early 1990s, and India become increasingly integrated with the global economy, public sector banks (PSBs) have made numerous policy changes to reorient themselves to the new environment. These changes, while important, will not by themselves make the banks competitive in the long run. The potential competitive advantage banks lies in leveraging their knowledge of customers and the peculiar circumstances in which they work and in making best use of their national network. To actualize this potential, the banks must take on as their mission the task of improving the capabilities of their small town and rural constituents which constitute a major part of their network. The implication for banks are clear, Public sector banks need to: leverage their network, which is their main strength, understand the needs of their constituents better than anyone else; be able to comprehend the changing environment and interpret it for their customers; strengthen their information systems about different industries and crops and disseminate this information down the line after value–adding analyse, organise special events so that their own employees in interior locations as well as their customers are exposed to new ideas; become more knowledge driven; make basic cultural changes happen-give knowledge and information priority over servility and hierarchy; sensitize senior banks at bank head-offices to the needs of small and geographically disparate customers and come up with products and services to meet their needs.

Vagesh NS (2002)[38] studied the non-performing assets which continuously haunt the public sector banks during the fiscal 2001-02, twenty-four PSBs added Rs.11,180 crore of gross non-performing loans. That was almost twice the profits of Rs.5,675 crore that the 24 banks had recorded during the previous fiscal. The slippage of Rs.11,180 crore represent a 30 per cent deterioration in non-performing loans that were there at the beginning of April 2001, banks managed to reduce their gross NPAs during the year by around Rs.8,807 crore during the last fiscal. The author suggested that the reduction happen through cash recoveries, write offs or up gradation of account from non-performing to performing, finally he concluded in his article stated that the banks are among those playing fervently for an economic recovery to enable them to keep the NPA problem under control in the coming fiscal.

Mallikarjunan K (2002)[39] stated in his article that the RBI Governor has been stressing the need for commercial banks and financial institutions to convert themselves into “Universal banks”. It would mean that the banks and financial institutions would take on all activities such as traditional banking, investment banking, securities trading, trusteeship and agency functions and even insurance. One of the consequent, perceptible changes would be that the commercial banks, which at present extent only short-term lending would take up long term lending too. The FIs, lending would take up long term lending too. The FIs, amending long-term support now, will take up short-term working capital assistance. This goal appears inviting but the path to its bristles with obstacles. The FIs especially needs additional resources to meet prudential requirements. The market would broaden and deepen. Further converting to single universal bank, resulting in speedier appraisals of the proposals. Recoveries would be done by way of single entry of credit and debit. And it is possible to control operations, inspections and ensure proper end-use.

In addition to that, a sensible asset liability management system in place controlling both short-term and long-term cash flows, the banks and FIs having acquired the global tag can go universal and run the show to the satisfaction of the customer and the country by establishing stable long term and short-term makers that form the bedrock of a prosperous economy.

Mjumdar NA (2002)[40] has stated in his article, there was a significant improvement in the profitability of the scheduled commercial banks owing to rise in trading profits attributable to the soft interest rate regime, coupled with the containment in operating expenses, notwithstanding the higher provisions and contingencies. During the year 2001-02, there was a healthy growth of time deposits, despite the significant lowering of interest rated on deposits. And also there was a perceptible decline in non-performing assets. At the end of March 2002, among 27 PSBs, 25 Pubic Sector Banks had Capital Adequacy Ratio (CAR) exceeding the stipulated minimum of 9 per cent. The passing of securitisation and reconstruction of financial assets and enforcement of securities bill by the parliament should further strengthen PSBs.

It becomes clear that the macro environment in which the PSBs function is not exactly conducive to enhancing their efficiency. Credit Deposit Ratio (CDR) of the Scheduled Commercial Banks (SCBs) was only 54 per cent. PSBs are bearing the brunt of the heavy borrowing programme of the government. The investment deposit ratio was more than 41 per cent in contract to the stipulated by liquidity ratio SLR of only 25 per cent. Net profit of PSBs recorded a huge jump from Rs.4,317 crore in 2000-01 to Rs.8,301 crore in 2001-02.

The author has explained that policy makers must realise that the growth of PSBs is an important as the development of the capital market. The thrust of the RBI policy in the coming years should be to evolve a network of PSBs. Micro credit institutions, cooperatives, RRBs, Non-Governmental Organisations (NGOs) and Self Help Groups (SHGs) strengthen the credit support to the decentralised sector. Banking on commercial banks for achieving the tenth plan objectives, including sustaining a high rate of savings, should thus become the mantra of both fiscal and monetary policy.

Reddy KC(1990)[41] in his paper entitled "Performance of Nationalised Banks": An evaluation. This article stated that, to avoid / correct geographical imbalances, nationalisation took place. It is the purposes of this nose to examine the performance of nationalise banks in these areas of operation. The author analysed performance in terms of branch expansion, credit-deposit ratio and sector–wise deployment of bank credit by way of sector, state and region wise distribution. The major findings of the study are as follows: In the post nationalisation period a number of new branches were started and where banking service provided adequately. There has been a significant improvement in the population served by each bank office in some of the highly under banked areas. There has been an improvement in the credit-deposit ratios in the post nationalisation period. Finally, advances to priority sectors like agriculture, small industry etc. registered phenomenal progress during the period of study (1969-1987).

Ranbir Singh (2003)[42] in his article, he has discussed under the deregulated and competitive environment, profitability of scheduled commercial banks comprising four major competitive groups of public sector banks, old private sector banks. New private banks and foreign banks conceptually examined in his framework. Its importance to management at various levels to monitor the performance and plan future strategy for improving profitability is also examined. Profit of any bank is a key parameter that gives competitive edge in the market – oriented systems as the banks have to approach capital market based on the profitability track record and inviting investors to subscribe to their capital.

The main objective of the study is always to reduce the interest cost without affecting the business growth. The study has analysed the key functional profitability parameters such as interest income, interest expenditure, net interest income, net interest margin, not interest income, operating expenses, operating profit of various banks during 1997-2002.

The major findings of his study during second phase of reforms under reference has indicated below: (i) the interest income of public sector banks is higher in comparison to new private banks and foreign banks (ii) the interest cost is significantly low in case of foreign banks, new private banks and it is higher in case of public sector banks (iii) Net interest income has shown a declining trend during second phase of the reforms (iv) Net interest margin is narrowing down (v) the operating cost of foreign banks and public sector banks is high as compared to new private banks. Finally, he concluded that, the public sector and old private sector have to reorient their strategies so as to reduce the operational cost. Hence higher net profit speaks of operational efficiency and creditability of a bank.

Pitre .V (2003)[43] in his article, the author studied the concept productivity and profitability of Indian commercial banks. After liberalisation and reforms has undergone significant changes in the banking system. The under lying objectives has been to make the system more competitive, efficient and profitable. Next spreading the banking network in rural areas and the basic activities of savings mobilisation and lending should remain the core objective. The study has anlysed / measured bank efficiency in terms of profit and volume of business per employee, number of accounts per employee are used to measure labour productivity.

The major findings of the study are: (i) While turning productivity and profitability of the banking sector, the total number of accounts per employee is highest for regional rural banks and foreign banks lower amongst the bank groups (ii) credit and deposit account showed that the large number of account per employee in RRBs (iii) in terms of credit account per employee, RRBs is the lowest (iv) in case of work force composition shows-that foreign banks and RRBs have the highest percentage of officers and RBI has lower percentage of officers amongst the Indian Banks (v) the share small borrower credit account has declined from 22 per cent in 1992 to 7 per cent in 2001. Thus a composition of labour productivity and profitability indicators showed that RRBs and other Indian banks have a high ratio of accounts per employee.

Finally the author concluded, if the RBI provides complete information about the total picture of staffing pattern was made available in the annual reports, it would facilitate a cost-benefit study of contract and permanent work force.

Brahmananda PR (2001)[44] in his article stated that to help nationalised banks achieve the required capital adequacy and to rationalise their investments, the government, which owns these banks, has written down portions of their investments and contributed till the end of 2000-01 about Rs.20,446 crore in the form of special government securities to these banks' asset portfolios. These securities earn interest at about 10 per cent for the banks so assisted. Hence in comparing the relative performances of banks and to measures the "profit ratios" are obtained depending on whether we include such interest income in their earning or not.

However, by and large, nationalised banks were seen prior to 1990 as instrument of direct or indirect non-commercially–viable policies and programmes of government. Thus, such additions to the assets of banks and income therefore, may be treated as compensating for forced non-commercially-viable operations. The author has examined over a period of ten year, different aspect of public sector banks operational ratios, abstracting from the effect of the governments compensatory assistance.

Between 1991-92 and 2000-01, interest expended as a percentage of liabilities, in the case of public sector banks, fallen from 7.06 per cent to 6.18 per cent. The measure of coefficient of variation was 0.13 in 1999-2000 to 0.073 per cent 2000-2001, this dipped to 0.073. The coefficient of variation had come down nearly 44 per cent over a period of 10 years, a remarkable case of increase in conveyance of the ratio of interest to liabilities among nationalised banks. In 2000-01, the ratio of net non-performing assets to net advances, Dena Bank was highest among the public sector banks (18.37 per cent). In case of interest income as percentage of assets in 1991-92, Vijaya Bank (12.51 per cent) occupied the highest. In 2000-01, Canara Banks' ratio had come down to 8.46 per cent.

The author analysed various ratios and coefficient showed that banks seem to be coming closer is respect of lending rates as well as deposit rates, and both rates are covering. If the measures of coefficient of variation are falling, this could due to competition as well as direct and indirect support and goading by the authorities.

Brahmananda PR [45] in his article–discussed that the ratio of operating expenses of a banks assets may be treated as a measure of the ratio of intermediation costs, excluded. He considered that a measure of the ratio of profits of assets is also a legitimate cost in a dynamic economy. In what follows, the author use the concept of the ratio of intermediation costs without including the ratio of profit to assets in case of banks. But it includes the ratio of the wage bill and related employment costs and the operating expenses to assets. Apart from the above cost, here the author concerned about the allowance for provisions and contingencies and for net profits and intermediation cost as ratios of assets. This gave an indication of effective cost reductions in the form of changes in the ratios during these two triennial averages. It clearly showed that the intermediate cost ratios were quite high in the first triennial period.

Sangita Mehta (2002)[46] in his article stated that despite of good results, banks may not able to plough back profits. New norms are forcing them to raise equity. The year 2001-02 was unbelievably good for PSBs. An unprecedented 300 basis points fall in interest rates boosted the market value of banks portfolio government securities, which most of the banks invested over four third of their deposits. Bank have booked trading profits on these securities which have changed the look of balance sheet strong banks even after making provisions, have grown decent growth and the week banks have surprised by turning around depositing profits expected to. Moreover the government may decline to subscribe to its position of the issue slighting it policy against providing capital to banks. Besides, banks don't have the flexibility to raise capital through preference shares. Given the shrinking head room for Tier II capital, due to the (IFR) norm, banks, perforce, will have to tap the equity market to maintain their capital adequacy.

Rajalakshmi Menon (2002)[47] stated in his article that the commercial banks are yet to comply with the RBI directive on disclosure of details of their spreads on loans and advances. Banks were also urged to switch to the "all cost" concept. Almost a month after the RBI directive, no bank has provided the requisite information. Bankers said that though there was a methodology and uniformity when providing maximum rates over Prime Lending Rate (PLR), these rated varied from place to place and customers to customer and hence would be very difficult to make public.

Vagesh NS (2002)[48] stated that during the fiscal 2002, bankers complaining about poor credit off take since the economy was sluggish. Yet 26 public sector banks have shown a 19.77 per cent in advances. (SBI results are not available). He asked a question. Where did this 19.77 per cent growth come from? Most of the bankers seem stumped for an answer. Some said the normal increase in business from regular clients. This could mean a 5 per cent to 10 per cent increase credit cycles and inflation. Some increase is also attributed to lending in telecom and roads sectors – although no figure are available. Andhra Bank secured the highest growth of 30 per cent. This is due to personal banking business. For other banks too, retail lending like housing and consumer loan were given a boost. Finally he end up with a question that so, who picked up the loans? He explained that seems destined to remain a mystery till the RBI comes out with the figures.

Srinivase Rao . K. S, and Chowdari Prasad, (2002)[49], in their paper the authors opine than due to the economic reforms in the 1990's, the depth and width of financial system in India has improved. Though the role of banks as financial intermediaries has reduced gradually, market share of banks continues to remain the largest in the financial market. Increased competition, new information technologies and the resultant decline in processing cost, and erosion of products and geographic boundaries and less restrictive governmental regulations have all played a major role in demanding the Public Sector Banks in India to forcefully compete with Private and Foreign banks. In this paper the author have compared Indian Pubic Sector Banks with other Private Sector Banks and Foreign Banks by using closed and open model cluster analysis technique.

Vageesh NS (2002)[50] in his article discussed the capital adequacy ratio of public sector banks during the fiscal 2001 and 2002. Of the 26 banks for which the figures are available only two-Indian Bank and Dena Bank, it may be recalled, had an in furious of Rs.1300 crore on March 30, 2002 to strengthen its finances and capital. About 22 banks seem to be on a comfortable ground with a CAR of about 10 per cent while 16 banks have a CAR of above 11 per cent as of March 2002. The degree of comfort from a higher CAR, is the room that it affords for expansion of loan book besides offering a cushion to with stand some shocks. Corporation Bank has the highest CAR as of March 2002, thanks in part to the fund infusion from Life Insurance Corporation of India (LIC) which picked up a stake in the bank in the last fiscal.

Vageesh NS (2002)[51] in his study discussed the residual maturity of loans and advances of 19 public sector banks (aggregating Rs.3,00,624 crore as on 31st March 2002) were 1-14 days, 14-28 days 29 days-3 months, 3-6 months, 6 months-1 year, 1-3 years and above 5 years. The bulk of the lending-amounting to nearly 34 per cent of loan were in the 1-3 year category. About 41 per cent of the loans were spread across various tenors in the below 1 year category, while 25 per cent of the loans were in the above 3 years category. It seems that the banker chased not only the depositors but also borrowers during the end of the fiscal.

Nagarajan N (2002)[52] stated a brief note in his article during the financial results for the year 2001-02, finance of nationalised banks had significantly improved. Despite decelerated rate of growth in deposits, they logged higher rate of growth both in investments and credit due probably to better management of funds. Credit Deposit ratio of the bank has considerably improved. Interest spread continued to decline due to softening of the rate of advances and investment with less than proportionate decline in the cost of funds. There was a notable increase in the other income on account mainly of treasury gains. There was some containment in operating expenses. Consequently, profitability has substantially improved. In general operating efficiency has also improved.

Prasana, (2002)[53], in his paper analysed the performance of Indian banks through CAMEL Model. The study covered 65 banks for the year 2003-04. The author concluded that in the Indian banking industry there is a tough competition and due to this consumers are at the beneficiary end.

Suresh Krishnamurthy (2002)[54] stated in this article that the financial highlights of the Karur Vysya Bank that the shareholders of the KVB can hold on to the stock, that has just gone for ex-rights and ex-bonus issue, post-rights and bonus offer, the banks equity capital is slated to go up to Rs.18 crore from Rs.6 crore. The book value per share of the banks, which is around Rs.795, should decline to Rs.300 after the expansion in equity capital. However, the value per share works out to Rs.200 if the book value of the share is adjusted for net NPAs. The stock is trading at a discount of close to 25 per cent of the book value adjusted for non-performing assets. Profits have risen sharply on the back of a surge in other income. The growth in deposits and advances are comparable only to that of the PSBs and not new generation private banks, the NPA also rose sharply to Rs.155 crore at March 2002 from Rs.106 crore as an March 2001. Going forward, a decline in the growth rate of non-performing assets is essential for sustaining the share price performance. This number needs to be keenly watched.

Suresh Krishnamurthy(2003)[55] stated in his article that Canara Bank stock is attractively valued compared to their peers such as Punjab National Bank (PNB) and Bank of Baroda (BOB). The stock trades at a price- to-earnings multiples of less than four. The bank has reported higher earnings growth in the first quarter of 2003-04 compared to PNB and BOB.

Valuation of banking stocks in now at higher level compared to the historical average. Overall, Canara Bank is relatively more attractively valued compared to its peers, the downside risk is perceived to be lower.

Its earnings growth of about 50 per cent in 2002-03 and followed that with growth in earning of about 80 per cent for the quarter ended March 2003. A 45 per cent growth in other income which comes from profits on treasury operations was the reason for higher earnings growth. In 2002-03, the Bank growth rate of deposits and advances are higher than the industry average. However there was increase in NPAs of the Bank. Net NPAs to net advances ratio feel to 3.86 per cent from 5.32 per cent from 5.32 per cent. Finally it concluded declining trend in NPA ratio, higher the CAR and continued softer interest rate regime suggest that profit growth will continue, leading to share price appreciation.

Thingalaya NK(2003)[56] sated that after the imitation of privatisation process, PSBs started entering the stock market, but it was not expected that the Bank stocks would become the darlings of the stock market. Transiting from the position of wholly owned government banks, they have shown signs of progress and better performance. Over 28 lakh investors, including both institutional and non-institutional have found it worthwhile to invest in the shares of public sector banks. With or without premium these banks could raise capital through from the investing public. It is realised that the shares of the public sector bank scrip’s are traded in the major stock exchanges, SBI is in the lead among the 13 nationalised banks, except Dena Bank, all banks have gone for public and all are in the elite gloud. After paying dividend share prices of the public sector banks have started booking northward. IOB, UCO Bank, Vijaya Bank and IDBI Bank are planning to hit the market to mop up Rs.650 crore. Finally one of the youngest bank is showing interest in taking over one of the oldest private sector banks, their share prices are looking up. 24 banks are traded in the BS 200. Among the 24 banks, 6 of them are new generation banks. Their aggressiveness and profit conscious have been attracting the attention of the Dalal Street: Beside the financial results, installations of ATMs in permanent places have impressed the investors. Among the private sector group, 5 banks are from old banks, their stock are also traded. They are Karur Vysya Bank (dividend declared last year 70 per cent); Jammu and Kashmir Bank; Federal Bank; Karnataka Bank and Bank of Rajasthan.

Suresh Krishna Murthy (2002)[57] stated in his article that investors are set to reap a profit of around Rs.90 per share by subscribing to the confessionally priced rights offer of Karur Vysya Bank. The stock price traded above the levels of Rs.150, ex-rights, and the offer is priced at Rs.60 per share. Shareholders also received 1:1 bonus recently. However, Karur vysya Bank is one of the better performing non-nationalised banks. An element of takeover pricing is expected to remain embedded in the stock’s valuation.

The stock of KVB has been more volatile relative to the S&P CNS Nifty Index in recent months. This is because of the concessional-priced rights offer and bonus offer that attracted buying interest. However, the stock price of the Bank can be expected to higher than that of banking sector majors, but the investors has ability to hold the stock for a longer term can still stay with their investments.

The performance of KVB in recent quarters has been boosted by the fall in interest rates and the consequent increase in profit from securities trading. Net interest margin in health at above 4 per cent is on the increasing trend. The author concluded that the potential of the stock to deliver returns in directly linked to expected improvement in the NPA. Only this development would help the bank to deal with the intense competition.

Rajalakshmi Menon (2003)[58] stated in his article that some banks are planning to offer credit linked to yields on Government Securities (G-Secs). This move seems that the efforts taken by the banks to deploy their excess funds, an offer corporate the benefit of lower interest rates. SBI also understood to be designing a new loan product linked to G-Secs yield, for a short term period. The loan may be linked to the 91 day or 364 day treasury bill. While for the longer period, the loan may be linked to the benchmark of five year period. Banks’ lending at Sub PLR rated “AAA” rated corporate. Bankers said that in the changing market scenario, more and more corporate are demanding rated that are market determined. Following are the recommendation of the Reddy Committee, the Budget had said that all administered interest rate would benchmarked to the average annual yields of government securities of equivalent maturities in the secondary market.

Thingalaya NS, (2003)[59] stated in his article that number of Indian banks having overseas operations has remained at 9. The total number of branches they have is 93, after the closure of a branch of SBI in the USA. Representative offices of Indian banks have increased to 17. A decade ago, the GOI mortem the idea of advising public sector branches in United Kingdom to close their operations, because of the poor financial performance of some of them. But some of the banks have it branches in advanced European countries, have become profit centers, except in a few cases. It is time now for the Indian banks to increase their presence in the international banking scene. In accordance with the liberalised policies adopted by all countries under the WTO regime. The RBI has given in principle sanction to a couple of private sector banks to extend their branch network to the US and Gluf. Therefore, instead of amalgamating all the foreign branches of Indian banks under one umbrella, it would be better to permit banks to go in search of pastures new.

(2002)[60], The study aims to evaluate the performance of 27 public sector banks in the post reform period 1990-91 to 1993-94. It attempts to evaluate the public sector banks in terms of business growth, business portfolio, advance portfolio, investment portfolio, external banking, income pattern, yield co-efficient, expenditure pattern, cost factor, efficiency pattern and net worth. The major findings of the study reveals that the industry facing a negative growth of deposits and advances. There is declining trend in the share of priority sector lending. Negative growth in credit and declining share of priority sector and term loan lending may have created finance constraint in rural and other under privileged areas. Yield from advances, however is better than that of investment portfolio. On the cost side, there has been a general decline in cost of deposits. There is decline in manpower also. There has been a general decline in efficiency; few banks have improved their efficiency level albeit with respect to stereotype financial yard sticks.

Balachandran. G (2003)[61] stated in his article, the 81 year old Tamil nadu mercantile bank limited is now gearing up to transform into a technology-driven modern bank. For the year 2002-03, the performance of the Bank in terms of business, deposits, advances and operating profit are extremely well. The bank has already introduced fast track funds transfer facility, in which the customers at the networked branches are provided with instant credit. With the objective to improving the banks credit exposure to traders and retail segments. The bank has launched several retail loan products. It has been forerunner among the old generation private sector banks to go in for extensive computerisation. The bank is confident of networking all its branches before the end of 2004.

Thinglaya NK (2003)[62] stated that credit concentration in the prime urban centers continues to be an inherent feature of the Indian banking system. Despite the rapid strides made spatial expansion of the credit outlets during the last thirty year, urban-orientation of credit outlets during the last thirty years, urban–orientation of credit deployment pattern remains very conspicuous. The emergence of new banks and the arrival of more foreign banks have also contributed to this phenomenon to some extent. The author ranked the top 10 banking centers on the basis of credit deployment during the last five years. Jaipur got 10th position, its share in bank credit has marginally improved from 0.75 per cent to 0.82 per cent. Next to Mumbai, Delhi has witnessed a rapid rise in the volume of credit as a result some of the banks making aggressive foray into retail banking. Third place occupied by Chennai next Kolkata. Growing stronger in its 5th place, Bangalore has more than doubled the level of credit outstanding. During the last five years, share of the top 10 banking centers has increased from 56.0 per cent to 59.4 per cent but there is no improvement in their share. Finally the author ended his article with a question. When urban agglomerates grow fast, can slums remain far behind?

Patil Kallinath (2003)[63] in his thesis entitled Life Insurance Corporation of India, its products and their performance evaluation: A special reference to Gulbarga University. The objective of the study is to measure and evaluate the performance of LIC in general and existing products in particular. It covers a period of five years from 1994-95 to 1998-99. The study is based on both primary and secondary data. The major findings of the study reveals that the entire insurance business was urban biased; insurance product with less premium and covering more risk are the most preferred policies by the people; performance of children–related products is very poor except the children money back policy, which has also no been contribution significantly. To evaluate the duties of agents, it was found that the rapport between the agents and development officers are not regular. Due to this there is an adverse effect on the business of agents in particular and on the corporation in general.

The study made by Dhsuvalata D Bhatt (1993)[64] mainly concerned with bank deposits at the macro-level during the post bank nationalisation period. The main objective of the study was to determine the exogenous factors influencing the growth of bank deposits at the macro level and suggest an appropriate model for establishing casualty. It also includes an inquiry into depositor's preferences. The major contribution of this study lies in the three dimensional approaches to the analysis of the problem of growth of bank deposits in India. Firstly, the growth, composition and distribution pattern of bank deposits in India is analysed. Secondly, the macro-level model is formulated and tested for identification exogenous variables influencing bank deposits. Lastly, an opinion survey of bank depositors throws light at the gross-root level on the values attached for various characteristics of bank deposits. It was observed that the composition of bank deposits underwent a change over the period. The share of fixed, savings and current deposits was 58, 27 and 14 per cent respectively. It was suggested that the nationalised banks need to put in more efforts in deposit mobilisation in view of their poorer performance in deposits per branch compared to the SBI group. Further, the rate of inflation was found to have no influence on bank deposits.

Sudarsan . H (2005)[65] in his study the main objective was trends in deployment of funds by all scheduled commercial banks in case of advances and investments, and compared the performance of public sector banks and private sector banks during the post reform period. The analysis revealed that NGPrSBs have the highest average growth rate to total advances and PSBs have the highest average market share of advances. Secondly, the average growth rate of sensitive sector advances is the highest in case of NGPrSBs, OPSBs had the highest in case of average share of advances to net bank credit. The average net NPAs of PSBs were 0.23 per cent where as it was 22.60 per cent in case of PrSBs, foreign banks have the highest average CD ratio of 69.78 per cent, NGPrSBs had the highest average growth rate of investment. Finally, it was suggested that, the gap in demand and supply of resources in different segment of the financial markets has to be met and for this, smooth flow of funds between various types of financial institutions and instruments would need to be facilitated, government's policy list in infrastructure as a major area, which needs to be focused.

R.O.C. Somoye (2008)[66] in his study attempts to examine the performances of government induced banks, consolidation and macro-economic performance in Nigeria in the post-consolidation period. The paper analyses published audited accounts of twenty (20) out of twenty-five (25) banks that emerged from the consolidation exercise and data from the Central Banks of Nigeria (CBN). He denote year 2004 as the pre-consolidation and 2005 and 2006 as post-consolidation periods for his analysis. he noticed that the consolidation programme has not improved the overall performances of banks significantly and also has contributed marginally to the growth of the real sector for sustainable development. The paper concludes that banking sector is becoming competitive and market forces are creating an atmosphere where many banks simply cannot afford to have weak balance sheets and inadequate corporate governance. The paper posits further that consolidation of banks may not necessarily be a sufficient tool for financial stability for sustainable development and this confirms Megginson(2005) and

Somoye(2006) postulations. We recommend that bank consolidation in the financial market must be market driven to allow for efficient process. The paper posits further that researchers should begin to develop a new framework for financial market stability as opposed to banking consolidation policy.

Harish Kumar Singla, (2008)[67] an attempts has undertaken to examine and understand how financial management plays a crucial role in the growth of banking. It is concerned with examining the profitability position of the selected sixteen banks (BANKEX-based) for a period of five years (2000-01 to 2006-2007). The study reveals that the profitability position was reasonable during the period of study when compared with the previous years. Return on Investment proved that the overall profitability and the position of selected banks were sustained at a moderate rate. With respect to debt equity position, it was evident that the companies were maintaining 1:1 ratio, though at one point of time it was very high. Interest coverage ratio was continuously increasing, which indicated the company's ability to meet the interest obligations. Capital adequacy ratio was constant over a period of time. During the study period, it was observed that the return on net worth had a negative correlation with the debt equity ratio. Interest income to working funds also had a negative association with interest coverage ratio and the Non-Performing Assets (NPA) to net advances was negatively correlated with interest coverage ratio.

Jim Wong, Tom Fong, and Eric Wong Ka-fai Choi, (2007)[68], in their study develops a model to identify the major determinants of a bank's profit, and the general level of profitability of a banking market. It found that in Hong Kong's case, market structure, such as market concentration and market shares of banks, is not a major contributory factor. Cost efficiency of banks, which measures the ability of banks to optimise their input mix for producing outputs, is a major determinant of banks' profitability. Since larger banks are found to be in general more cost efficient than smaller banks in our previous study on banks' efficiency, larger banks can offer services at lower prices to compete with smaller banks, yet attaining a similar or even higher level of profits. Smaller banks may, therefore, be more vulnerable to intense competitions in the loan market than larger banks, particularly in cut-throat price wars.

Pooja Malhotra, Balwinder Singh (2010)[69], attempts to examine the impact of internet banking on banks' performance and also whether, among banks offering internet banking, those that have offered it for a relatively long time outperformed those that only recently began to offer it. Using the data on financial performance of 82 scheduled commercial banks, during the period of 1998-2007, the univariate analysis indicates that experienced internet banks are larger banks and have better operating efficiency ratios and rely less on traditional source of financing in comparison to inexperienced internet banks as well as non-internet banks. In almost all other variables, there existed no statistically significant difference in the performance of experienced and inexperienced internet banks. The multiple regression results also reveal that the profitability and experience in offering of internet banking does not have any significant association. Hence, in the Indian banking context, experience in offering internet banking does not have any impact on banks' performance.

Trablelsi Mohamed Ali, (2008)[70], his study proposed Developing banking standards. Their importance incites governments to insure the stability and the good performance of their banking systems. Accordingly, several researchers pay a particular attention to banking governance. Specifically, shareholders-managers’ convergence of interests and the possible repercussions of these on the performance of banks can be avoided only by implementing a solid system of governance. The main purpose of this article is to determine the impact of governance on the performance of banks, through an empirical study of a sample of 10 Tunisian banks during the period 1997-2007. Our empirical investigation shows a positive association between external administrators and performance. It is worth noting that a high number of administrators results in a negative effect on performance. The results also reveal that managers lack control while the board of directors seems to exert a lot of power. This state of affairs results from the fact of associating the role of the manager with that of the board of directors. Finally, our results reveal a negative association between the presence of a group of dominant shareholders and performance, a phenomenon which might be explained in terms of private appropriation of benefits.

Kym Brown and Michel Skully (2010)[71]; in their paper aims to evaluate the cost efficiency of banks in the Asia-Pacific region and test whether the operating performance of banks in poorer economies improves with the inclusion of environmental proxies. Our basic cost efficiency model finds that Australia and Singapore are the most cost efficient banking economies. With the inclusion of environmental factors into our model, the relative cost performance of banks from poorer economies does not improve, perhaps suggesting that their weaker operating environment is not the cause of the banks' lower results.

Bryan Ngu; Tsegaye Mesfin; (2009)[72], in his study measures efficiency of banks in Sub Saharan Africa and its determining input and output factors on two fonts. At this purpose, we applied the first font; Data Envelopment Analysis (DEA) for assessing efficiency level. The actual and target level of inputs/outputs to foster efficiency are shown in the results. Secondly, the banks ratio analysis measuring banks performance through returns volatility for each bank, asset utilisation and provision for bad and doubtful debts over the study period are all used as tools for this analysis. Our results suggest that Sub Saharan African Banks are about 98.35 per cent efficient. We are aware that the level of efficiency could be subject to up and down swing if environmental factors influencing banks efficiency where taken into consideration. Finally, our result (DEA) is more sensitive to loans, other liabilities, other non-interest expense, securities and deposit.

P. K. Jain, (2002)[73], in his research assess the performance of a development bank can be assessed on the basis of 'financial function' and 'development function' criteria. While the financial function measures its operational efficiency in terms of the profitability of its investment operations, the developmental function evaluates its allocational efficiency as reflected by its investment activities for the economic development of the country and the stimulation of the capital market. The objective of this paper is to appraise the performance of the Industrial Finance Corporation of India, in terms of its profitability. The profitability has been analysed with reference to its (i) operating earnings, (ii) cost of operations, (iii) gross and net profit margins on the loan portfolio and (iv) rate of return and capital appreciation on the securities portfolio. The paper concludes with suggested measures to improve its profitability in future.

Abhiman Das and Saibal Ghosh, (2005)[74], in their study investigates the performance of Indian commercial banking sector during the post reform period 1992–2002. Several efficiency estimates of individual banks are evaluated using nonparametric Data Envelopment Analysis (DEA). Three different approaches viz., intermediation approach, value-added approach and operating approach have been employed to differentiate how efficiency scores vary with changes in inputs and outputs. The analysis links the variation in calculated efficiencies to a set of variables, i.e., bank size, ownership, capital adequacy ratio, non-performing loans and management quality. The findings suggest that medium-sized public sector banks performed reasonably well and are more likely to operate at higher levels of technical efficiency. A close relationship is observed between efficiency and soundness as determined by bank's capital adequacy ratio. The empirical results also show that technically more efficient banks are those that have, on an average, less non-performing loans. A multivariate analysis based on the Tobit model reinforces these findings.

Narjess Boubakri, Jean-Claude Cosset, Klaus Fischer and Omrane Guedhami, (2005)[75], in their study examines the post-privatisation performance of 81banks from 22 developing countries. Our results suggest that: (i) On average, banks chosen for privatisation have a lower economic efficiency, and a lower solvency than banks kept under government ownership. (ii) In the post privatisation period, profitability increases but, depending on the type of owner, efficiency, risk exposure and capitalisation may worsen or improve. However, (iii) Over time, privatisation yields significant improvements in economic efficiency and credit risk exposure. (iv) We also find that newly privatised banks that are controlled by local industrial groups become more exposed to credit risk and interest rate risk after privatisation.

Kusum W. Ketkar , (2002)[76], in his study paper develops a framework that integrates Harrod-Domar growth model and McKinnon-Shaw Hypothesis via Molho's dynamic adjustment mechanism. The model is used to determine the impact of bank nationalisation through aggressive bank branch expansion programs and priority sector credit allocation on India's financial savings, investment, productivity and Gross Domestic Product (GDP). The empirical findings indicate that the bank nationalisation policy has been a mixed blessing. The aggressive bank branch program since 1969 resulted in an increased in savings, investment, productivity of capital and GDP, however, the priority sector credit allocation policy did not fully achieve its desired goals.

Shabbar Jaffry, Yaseen Ghulam and Joe Cox, (2008)[77], this study focuses the estimation of productivity and efficiency of labour use in the banking sectors of the Indian sub-continent. The results show that the efficiency of labour use across the Indian sub-continent is improving over time and that foreign banks are more efficient compared to domestically owned banks in their usage of labour.

Carlos Pestana Barros, Candida Ferreira and Jonathan Williams, (2008)[78], in their empirical evidence confirms the importance of country-level characteristics (location and legal tradition), and firm-level features (bank ownership, balance sheet structure and size). Specifically, smaller sized banks with higher loan-intensity, and foreign banks from countries upholding common law traditions have a higher probability of best performance.

Roberta B. Staub, Geraldo da Silva e Souza and Benjamin M. Tabak, (2009)[79], in their study investigates cost, technical and allocative efficiencies for Brazilian banks in the recent period (2000–2007). We use Data Envelopment Analysis (DEA) to compute efficiency scores. Brazilian banks were found to have low levels of economic (cost) efficiency compared to banks in Europe and in the US. For the period with high macroeconomic volatility (2000–2002) the economic inefficiency in Brazilian banks can be attributed mainly to technical inefficiency rather than allocative inefficiency. State-owned banks are significantly more cost efficient than foreign, private domestic and private with foreign participation. There is no evidence of differences in economic efficiency due to type of activity and bank size. These results may provide some useful guidance for financial regulators and bank managers.

Sumon Kumar Bhaumik and Jenifer Piesse, (2007)[80], their study has been discussed about the relationship between ownership and financial performance of banks in emerging markets, literature about cross-ownership differences in credit market behaviour of banks in emerging economies is sparse. Using a portfolio choice model and bank-level data from India for 9 years (1995–96 to 2003–04), we examine banks' behaviour in the context of credit markets of an emerging market economy. Our results indicate that, in India, the data for the domestic banks fit well the aforementioned portfolio-choice model, especially for private banks, but the model cannot explain the behaviour of foreign banks. In general, allocation of assets between risk-free government securities and risky credit is affected by past allocation patterns, stock exchange listing (for private banks), risk averseness of banks, regulations regarding treatment of NPA, and ability of banks to recover doubtful credit. It is also evident that banks deal with changing levels of systematic risk by altering the ratio of securitized to non-securitized credit.

Chung-Hua Shen and Ai-Hua Huang, (2003)[81], This study identifies a significant positive relationship between the performance of the financial sector and the non-financial ones in the presence of a growth rate in the GDP and in inflation rates. To account for this relationship, we initially put forth four hypotheses. Results show that "bank concentration" (the first hypothesis) considerably strengthens the relationship but that the "protection of the creditor" (the second hypothesis) weakens it slightly. Noteworthy is that "restrictions on banks engaged in non-banking activities" (the third hypothesis) and the "bank-based system" (the fourth hypothesis) do not have any influence on the relationship, whatsoever.

Paroma Sanyal and Rashmi Shankar, (2010)[82], attempts to investigates the effect of ownership and competition on Indian bank productivity since the 1991 reforms. We find that Indian private banks dominate the public and foreign banks both in terms of productivity levels and productivity growth, with the new Indian private banks leading the charge. Competition has a positive impact on productivity for the old Indian private banks, and all the other banks are hurt by competition — the worst hit being new Indian private banks. A similar picture emerges on the productivity growth side, with the new Indian private bank productivity growth being the worst affected as competition increases. An analysis of the pre- and post-1998 periods shows that the latter period displays a much higher productivity gap between the Indian private banks and the public and foreign banks. Indian private bank productivity and productivity growth suffer due to increasing competition in the post-1998 period.

Rudra Sensarma, (2006)[83], in his study he has used different approaches and techniques to measure bank performance but most of these studies have been restricted to developed economies. Among the few papers that exist for developing economies, either efficiency or productivity of banks has been estimated based on which inferences about the banking industry have been made. In this paper we estimate efficiency of Indian banks and then estimate a measure of productivity that includes an efficiency term. Following this comprehensive measure, we find that banks have improved their performance during the period 1986 to 2000 in terms of both efficiency and productivity. Surprisingly, foreign banks have been the worst performers throughout the period as compared with state owned and private domestic banks.

Milind Sathye, (2003)[84], in his research is to measure the productive efficiency of banks in a developing country, that is, India. The measurement of efficiency is done using data envelopment analysis. Two models have been constructed to show how efficiency scores vary with change in inputs and outputs. The efficiency scores, for three groups of banks, that are, publicly owned, privately owned and foreign owned, are measured. The study shows that the mean efficiency score of Indian banks compares well with the world mean efficiency score and the efficiency of private sector commercial banks as a group is, paradoxically lower than that of public sector banks and foreign banks in India. The study recommends that the existing policy of reducing non-performing assets and rationalisation of staff and branches may be continued to obtain efficiency gains and make the Indian banks internationally competitive which is a declared objective of the Government of India.

Samel. B, (2003)[85], in his article states the Economic Value Added (EVA) is a measure of financial performance that comes closer than any other measures to capture the true economic profit of an enterprise. In this model, the cost of capital is also charged to profit irrespective of declared profit or loss. In the traditional accounting system there is no change on equity. But in the case of EVA real income generated by an organisation is the residue that remains after its shareholders and debtors has been paid their annual required return. He highlighted some of the important traditional measures which are presently used for analysing the financial performance of the bank. They are: Net interest margin, Return on assets, Return on equity, Earnings per share. All these traditional measures do not include the cost of capital and have come under criticism. But over the years, the EVA measure has been gaining acceptance in all over the world. He expressed that EVA is a measure of incremental return or the ability of a company to generate return in excess of its cost of capital.

Velayudham. T,K(1997)[86], in his perspective expressed that credit risk in primarily related to the quality of the loan portfolio. It may be domestic credit risk or foreign risk. The domestic credit risk is relatively more important in terms of magnitude and impact from the point of view of Indian banks. Since the introduction of prudential norms, bank has come to realise the impact of credit risk on their profitability. The author says that the most important issue before the Indian banks today is to reduce the share of non-performing advances to total advances. He points out that the risk of non-performance and non-payment needs to be tackled by improving management efficiency in banks and in applying appropriate techniques of credit management.

Velayudham. T.K(1997)[87], in his paper states that most important source of liquidity risk for Indian banks is the mismatch of maturities of their liabilities and assets and the degree of mismatch is also very high. This is mainly because the banks fund their long-term assets with short term liabilities. He further states that due to this reason Indian banks very often borrow in the call money market at high rates of interest, i.e., rates unrelated to the return on their assets. In the Indian banking system, liquidity risk assumes volumes from their large investments in government securities, because of the problem of maturity mismatch. Banks' investments in government securities are for ten to fifteen years where as the fund deployed in them are of shorter maturities. So selling these securities in times of need for funds is difficult in the absence of an active secondary market or debt market, except at heavy capital losses. Besides maturity mismatch, the value of the investments in government securities may also depreciate due to increase in interest rates, thereby creating and imbalance in value terms between assets and liabilities. In effect, investments in government securities become "illiquid".

Latha. R(2003)[88], in her dissertation made an inter-bank comparison of the financial performance of associate banks of State Bank India. For analysing the financial performance she has used nine parameters like Deposits, Advances, Investments, Branch Expansion, Non-Performing Assets, Total Income, Total Expenses, Net Profit, and Capital Adequacy Ratio into account. She has also used ratios for accessing the performance of the bank. She used mainly growth rate and percentage analysis for analyzing the financial performance. Finally she has ranked all the seven under 24 parameters. State Bank of Hyderabad secured first rank in II parameters and State Bank of Indore secured last rank in eight parameters.

Nayak. D. N, (2003)[89,] in his paper made an attempt to compare liquidity, productivity and profitability of Foreign and Domestic banks in India during 1985-86 to 1996-97. The study is based on bank-wise secondary data on number of variables like employees, branches, total assets, interest paid and expended, total deposits and advances, profits and expenses. The results revealed that productivity in terms of labor, branches and profitability was higher in foreign banks than the domestic banks. Foreign banks are least involved in socio-economic policies of the government on account of which they registered higher profits.

Bharatipathak, (2003)[90], in his paper compared the financial performance of five NGPvSBs by considering four financial parameters. On the basis of financial parameters the IndusInd Bank outperformed the other counterparts in the year 1996-97 and 1997-98. However, when comparing the banks in terms of growth rate, the Centurion bank turned out to be the best in 1996-97. Later, the HDFC Bank replaced the two best performers and bowled them at by its superior performance. ICICI Bank was the close competitor to HDFC Bank. He concluded that the HDFC Bank emerged as a leader in the financial analysis of the 5 years ended 2000-01. Its close competitor was ICICI Bank. The performance of the other three, no doubt, lagged behind them, but it was by no means depressing. These banks obviously have to focus more on improving parameters like credit quality and cost control to emerge as the top performers.

Ruch Trehan and Nitison, (2003)[91], in their paper states the significance of appraising the efficiency of banking industry has become more of a necessity than a luxury in the modern world of financial services as at makes it possible to separate those banks that performed well from those that performed poorly. The study analysed the operating efficiency and its relationship with profitability in the public sector banking industry in India. The analysis of the relationship between the group status and technical efficiency shows that (1) The banks affiliated to the SBI group are more efficient than nationalised banks and (2) The difference in the efficiency levels of these two groups is statistically significant.

Ram Mohan T. T et. al., (2004)[92], in their paper compared the performance of Public Sector, Private Sector and Foreign Banks by using physical quantities of inputs and outputs and compared the revenue maximization efficiency of banks during 1992-2000. In order to make this comparison, they used data envelopment analysis to calculate the revenue maximization efficiency. They concluded that Public Sector Banks performed significantly better than the Private Sector Banks but not the Foreign Banks.

Alamelu .K and Devamohan .A (2010)[93], in their paper analysed the performance of regional rural banks. RRBs were established under the provisions of an ordinance promulgated on the 26th September 1975 and the RRB Act, 1976 with an objective to ensure sufficient institutional credit for agriculture and other rural sectors. The RRBs mobilise financial resources from rural/semi-urban areas and grant loans and advances mostly to small and marginal farmers, agricultural labourers and rural artisans. With the amalgamation of RRBs, they have acquired the critical mass in terms of financial strength to widen and deepen their outreach. With the requisite strength having been developed, RRBs are the best suited vehicles to widen and deepen the process of financial inclusion. RRBs may be provided adequate promotional and developmental assistance to contribute substantially to financial inclusion in a way that the business generated out of inclusion efforts add positively to their performance.

Alamelu .K and Devamohan .A (2010)[94], their study analysed the efficiency of commercial banks in India. Foreign banks and new generation private banks have superior business ratios. They effectively leverage technology, outsourcing and workforce professionalism. Public sector banks are yet to exploit fully the advantages of vast branch network and large workforce. Old generation private banks do not have impressive business ratios, as they are constrained by small size and conservatism.

Annamalai .S and Buvaneswari .P (2010)[95], in their article stated the performance of private sector banks in India. The overall performance of private sector banks during the year 2008-09 was better than in the previous year. Their productivity parameters like deposits per branch, advances per branch, business per branch, deposit per employee and advances per employee moved closely to the global levels. In the case of productivity, new generation private sector banks were ahead of their peer groups.

Research Gap

In nutshell, review of literature reveals that the studies made in the past can be grouped into two parts. Those used ratios for analysing the performance and those used other methods / models for evaluating the financial performance of banks. Most of the studies have evaluated the financial performance of the commercial banks on the basis of very limited number of parameters. But the present study has concentrated on the financial performance of KVB by comparing its performance with that of the PrSBs, IBI and TN based Private Banks by using CRAMEL analysis.

Thus, the present study is a modest attempt to cover the gap in the financial performance evaluation of KVB carried out in the past.

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