CHAPTER ~ 2
REVIEW OF RELATED LITERATURE

2.1 INTRODUCTION:

Review of literature has vital relevance with any research work due to literature review the possibility of repetition of study can be eliminated and another dimension can be selected for the study. The literature review helps researcher to remove limitations of existing work or may assist to extend prevailing study.

Several researches have been conducted to analyze the different aspects of performance of commercial banks in India and abroad. Present review of literature is related to the subject of thesis “A COMPARATIVE STUDY ON PROFITABILITY ANALYSIS AND PERFORMANCE OF SELECTED PRIVATE, PUBLIC AND FOREIGN SECTOR BANKS IN INDIA”

The available literature and research are divided into four major parts according to the area of research i.e. literature related to:

1. Review of Literature related to Profitability of the Banks
2. Review of Literature related to Performance of Banks
3. Review of Literature related to NPAs of the Banks
4. Review of Literature related to other factor comparisons

The above mentioned literature have been obtained from following four major sources such as

(i) Ph.D. research conducted in India,
(ii) The research / studies carried over by the institutions like RBI, ICRA Limited and business magazines like Financial Express, Business Today, Money Outlook, Business India, etc. and ,
(iii) Research Studies of individual scholars published in journals and magazines and ,
(iv) Websites of RBI, Govt. of India and websites of various banks. The present study is undertaken in the light of the methodology adopted and conclusions emerged in the earlier studies relating to the performance evaluation, financial reforms and their impact on the Indian banking sector and a comparison between the two.
2.2 REVIEW OF LITERATURE RELATED TO PROFITABILITY ANALYSIS OF THE BANKS.

1. Goel and Chitwan Bhutani Rekhi (2013), Efficiency and profitability of the banking sector in India has assumed primal importance due to intense competition, greater customer demands and changing banking reforms. Since competition cannot be observed directly, various indirect measures in the form of simple indicators or complex models have been devised and used both in theory and in practice. This study attempts to measure the relative performance of Indian banks. For this study, he has used public sector banks and private sector banks. We know that in the service sector, it is difficult to quantify the output because it is intangible. Hence different proxy indicators are used for measuring productivity of banking sector. Segmentation of the banking sector in India was done on bank assets size. Overall, the analysis supports the conclusion that new banks are more efficient than old ones. The public sector banks are not as profitable as other sectors are. It means that efficiency and profitability are interrelated. The key to increase performance depends upon ROA, ROE and NIM.

2. Kapoor, Reetu and R.C. Dangwal (2012), in their paper titled ‘Factors Affecting Bank Profitability: An Empirical Study’ studied Profitability of Different Sector Banks in India through factor analysis. Twelve variables used for study for a period of five years for the analysis. The paper concludes that the evaluation of banks in terms of profitability, spread seems to be affecting the profitability of banks more for all bank groups. Paper also suggests that banks should not only augment their interest income but also try to maximize their ancillary and fee based income. Banks should keep a check on exorbitant expectations for unproductive purpose.

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3. **Das, S.K. (2010)** conducted a study on the Indian banking industry with regard to financial liberalization and banking sector efficiency for a time period of 1980-2007. Using Stochastic approach and RBI data for 60 Indian commercial banks on the basis of empirical investigation, the study concludes that after financial liberalization there has been no significant change in the cost efficiency of the public sector banks and the domestic private sector banks are becoming more efficient in comparison to the public sector and the foreign banks.


5. **Bansal (2010)** studied the impact of liberalization on productivity and profitability of public sector banks in India. The study has been conducted on the basis of primary as well as secondary data for the period 1996-07. The study concluded that the ability of banks to face competition was dependent on their determined efforts at technological upgradation and improvement in operational and managerial efficiency, improvement in customer service, internal control and augmenting productivity and profitability. The study found that public sector banks have to pay great attention to strategic management, strategic planning and to greater specialization in the technical aspect of lending and credit evaluation. It was recommended that public sector banks should strengthen their project appraisal capabilities. In order to raise their productivity and profitability, public

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5 Bansal, D. (2010), “Impact of Liberalisation on productivity and Profitability of Public Sector Banks in India”, A Ph.D. Thesis submitted to Saurashtra University, Rajkot. Available at www.shodhganga.inflibnet.ac.in
sector banks should spell turnover strategies, income-oriented and cost oriented strategies from time to time.

6. **Das, A. and Ghosh, S. (2009)** conducted a study on financial deregulation and profit efficiency of Indian banks for a time period of 1992 to 2004. Using Non-Parametric DEA Methodology and Univariate analysis and determinants of efficiency, the study indicate high level of efficiency in costs and lower levels in profits, reflecting the importance of inefficiencies on the revenue side of banking activity. The proximate determinants of profit efficiency appear to suggest that big state owned banks performed reasonably well and more likely to operate at higher levels of profit efficiency. A close relationship is observed between efficiency and soundness as determined by bank’s capital adequacy ratio.

7. **Pat (2009)** made an assessment of the RBI’s Report on “Trend and Progress of Banking” in India, 2007-08, which reported a relatively-healthy position of the Indian banking system. He noted that the various groups of banks reported improvements in net profits, return on assets and return on equity. Two basic indicators of sound banking system, namely, capital to risk weighted assets and quality of assets, also revealed considerable improvements over the years.

8. **Shukla (2009)** aimed at examining the recent trends in Indian Banking System and its impact on cost and profitability of 27 public sector banks, 27 private sector banks, and 29 foreign banks in India during the period 199106. The secondary data used for the study has been collected from annual reports of banks and published material from Reserve Bank of India. The study analysed that in the post-reform period Indian Banking System has become

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more competitive, more developed and financially viable due to several structural changes. The study evaluated that banks should focus on high operating cost and diversification of activities to remain competitive and profitable. The study evidenced the use of technology based services to intensify competition and to reduce operating cost and achieve higher profitability. The researcher recommended that some critical factors like security and integrity of system should be addressed, and greater emphasis should be given on banking and financial policies to strengthen the banking sector.

9. **Goyal and Kaur (2008)** analyzed the performance of seven new private sector banks for the years 2001-07. The various statistical tools like mean, standard deviation, annual compound growth rate and one-way Anova have been applied. The researchers calculated various ratios relating to capital adequacy, asset quality, employee productivity, earning quality and liquidity of banks. The study evidenced that capital adequacy ratio of all the banks has been above 9 per cent, the prescribed limit of Reserve Bank of India. Average debt/equity ratio is found to be maximum in the case of Axis Bank. Kotak Mahindra Bank registered maximum percentage increase in NPAs over the previous years. Ratio of advances to total assets has shown an increasing trend for all the banks under study which showed an increase in lending operations. The study witnessed significant differences among the mean ratios of all parameters except for liquid assets to total assets, liquid assets to total deposits, net profit to average assets and percentage change in NPAs.

10. **Mittal, R.K. and Dhingra, S. (2007)** conducted a study on assessing the impact of computerization on productivity and profitability of Indian Banks for a period of 2003-04 and 2004-05 by using Data Envelopment Analysis (DEA). Results show that ICICI Bank is found to be efficient in all indicators. Nearly 70% of ICICI Banks transactions take place electronically, resulting in

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lower cost of transactions, high productivity and better profitability. The input and output parameters which are clearly affected by computerization in the banks were considered for productivity and profitability analysis. The output of DEA, indicates that Private Banks are much better than Public Sector Banks in productivity and profitability indicators, Hence, of the many factors which could lead to improved performance of banks, increased IT investment is one of the vital contributing factors for enhanced performance.

11. **Das, A. and Ghosh, S. (2006)**\(^{11}\) conducted a study with regard to financial deregulation and efficiency of Indian banks during post reform period with a time period of 1992 to 2002. Using Non-Parametric Data Envelop Analysis and three different approaches viz. intermediation approach, value-added approach and operating approach to determine how efficiency scores vary with changes in inputs and outputs, the study provides the following results.
   
   I. There is a large asymmetry between banks regarding their technical efficiency over the years.
   
   II. Technical efficiency estimates were found to be higher under value-added approach than under the intermediation approach. Under the latter approach, Indian Banks were marked with relatively low level of technical efficiency and there was a persistent but apparently declining trend in technical efficiency.

12. **Sanjeev (2006)**\(^{12}\) evaluated the efficiency of banks in India from the year 1997 to 2001. The study was conducted by using DEA Model, and to evaluate the efficiency of banks these were categorized as public sector banks, private sector banks and foreign banks. The study was based on the hypothesis that the efficiency of commercial banks has improved during the reforms period, public sector banks to be less efficient, more competition to banks due to liberalization and deregulation and negative relationship between efficiency

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and non-performing assets of the banks. Based on these assumptions the study highlighted that the banks should be free to decide the level of deposits and interest rates. Loan appraisal and monitoring of banks should be strengthened along with upgrading of banking technology. The banks should adopt suitable measures to reduce wastages and to reduce the operating cost.

13. **Sharma (2006)** studied the performance of Punjab National Bank in comparison to other Public Sector Banks and all Commercial Banks (Public, Private and Regional Rural Banks) operating in rural, semi-urban and urban areas of Haryana state. The time period for the study has been taken from 1993 to 2004. The study is primarily based on the secondary data. The researcher employed various statistical tools for analysis purpose like arithmetic mean, standard deviation, coefficient of variation, correlation coefficient, simple growth rate and trend growth rate. The study depicted that Punjab National Bank is having highest growth rate in terms of nonagricultural sector advances but minimum growth rate in agricultural advances. The study found that Punjab National Bank has introduced the fee based income approach to improve the profitability of bank and accelerated the economic growth of Haryana state. The researcher further suggested that the Public Sector Banks should improve their communication system, customer relationship in rural market and suitable marketing strategies.

14. **Samwel Kakuku Lopoyetum (2005)** in his article elaborated that the profitability performance of the UCBs can be improved by strengthening the magnitude of burden ratio. The spread ratio can be increased by increasing the interest receipts faster than the interest payments. The burden ratio can be lowered by decreasing the manpower expenses, other expenses and increasing other incomes.

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15. **Qamar (2003)** identified the differences in terms of endowment factor, risk factor, revenue diversification, profitability, and efficiency that might have existed among 100 scheduled commercial banks, divided into three groups for the year 2000-2001. His study revealed that the public sector banks were better endowed in terms of their assets base, share capital and shareholders equity than other banks, whereas foreign banks and old private sector banks operated at a very high capitalization ratio.

16. **Mishra, B.S. (2003)** conducted a study at the state level basis on allocate efficiency of the Indian Banking System in the Post-Reform Period for a time period of 1981-92 and 1993-2001. In this study the credit output dynamics has been studied for three broad sectors of each state viz. agriculture, industry and services. The results reveal that there is improvement in overall allocate efficiency in the post reform period for the majority of states.

17. **Chandan and Rajput (2002)** evaluated the performance of banks on the basis of profitability analysis. The researchers analyzed the factors determining the profitability of banks in India with the help of multiple regression technique. They found that spread, i.e., net interest income is the major source of income for banks. The study found public sector banks at weaker position in relation to foreign banks and private sector banks. The authors suggested that public sector banks should concentrate on non-performing asset management and also make investment in technology up gradation for better data management and quicker flow of information.

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18. **Cheema and Agarwal (2002)** analyzed the productivity of commercial banks in India and compared the performance of public sector banks, private sector banks and foreign banks in India. Public sector banks were divided into two categories, i.e., State bank group and nationalized banks. The input variables like owned funds, deposits, borrowings and wage bills were used. The output variables like spread, non-interest income were used. The mean productivity scores of all public sector banks were found to be the same. Among public sector banks, State Bank of Patiala and Allahabad Bank were found to be most efficient banks in their bank groups, and Jammu & Kashmir Bank in private sector bank group. ING Bank was on the top among foreign banks group. The study revealed that the inefficiency among public sector banks was found due to excessive amount of owned funds, and inefficiency among foreign banks was due to excessive borrowings. The researchers suggested that concentration should be put on the proper utilization of deposits and borrowings, and on the diversification of their activities in order to improve the efficiency of banks.

19. **Vyas (1992)** made an attempt to measure, compare and analyze the profitability of public sector banks, private sector banks and foreign sector banks operating in India. The study evidenced that public sector banks had low profitability as compared to private sector banks and foreign banks. Public sector banks suffered from poor asset management and low exposure on non-fund based activities. The study evaluated that non-interest income was very high in the case of foreign banks as compared to Indian public sector banks and private sector banks. The researcher suggested that public sector banks have to emphasize on the improvement of asset management and exposure to profit yielding services like merchant banking, mutual funds, personal advisory services, credit cards, personal banking and international banking.

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20. **Amandeep (1993)**

In her work profitability of commercial banks has made an attempt to examine the trends in profit and profitability of 20 nationalized banks she used trend analysis ratio analysis and concentration indices of the selected parameters. She also used multi variant analysis. She concluded that to have excellent profitability performance, banks need to have excellent performance in managing burden.


Studied the social objectives and profitability of public and private sector banks during the period 1973 to 1991. He compared the public and private banks with the help of various profitability and productivity indicators through ratios, average, correlation, regression and factor analysis. He found that public sector banks were having lower profitability as compared to private sector banks. Further, he found that the various productivity indicators showed an increasing trend during the period of study for all the banks though the increase was much higher in the case of private sector banks. He concluded that the profitability of public sector banks showed a declining trend due to social objectives not because of cost inefficiency and low productivity. He suggested that productivity could be increased with the help of innovative banking, improved technological and managerial knowledge, well educated and trained manpower and infrastructural facilities.

22. **Batra, Amita (1996)**

Examined the impact of policy constrains on the profitability of the Indian scheduled commercial banks for the period 1955-1987. The profit function approach has been used in the analysis. Previous bank profitability studies are in several ways limited and confined their scope of inquiry to questions of either operational or technical efficiency. The present study provides a comparative view on pre and post nationalization

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periods of Indian banking. It indicates the importance of loans and advances like SLR, CRR AND branch expansion in explaining bank profitability.

23. **Ajit and Banger (1988)** Presented a tabulation of the performance of private sector banks vis-à-vis public sector banks over the period 1996-1997, using a number of indicators: profitability ratio, interest spread, capital adequacy ratio and the net NPA. The conclusion is that Indian private banks outperform public sector banks. The study also found that Indian private banks have higher returns to assets in spite of lower spreads.

2.3 REVIEW OF LITERATURE RELATED TO PERFORMANCE APPRAISAL OF BANKS.

24. **Anjum Bimal (2014)** Banking sector plays an important role in present economic scenario of a country. The Indian banking sector sees tremendous changes in past few years. After the 2008 global financial crisis, many developments seen in the Indian banking sector also. These developments affect the performance of Indian banks. The present paper highlights the major indicators of performance of banks in past three years (2008-09 to 2012-13). The study is restricted to selected banks from each sector. For the purpose of study, three major banks from each sector selected for study. The selection is made on the basis of assets size and capitalization of banks.

25. **Srivastaw Kumar, S (2013)** this paper investigated the performance of selected foreign and new private sector banks using certain financial performance indicators. Descriptive statistics and paired t-test have been employed to analyse and to draw the conclusion. The study makes use of

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secondary data. The relevant data has been collected through the Statistical Tables Relating to Banks in India, Trend & Progress of India, various published reports and other studies. Performance has been compared by dividing the total study period into two parts viz. Supra and Umbra periods. The study shows that the asset qualities of the banks shows improving trends throughout the study period both in respect of Foreign Banks as well as in respect of New Private Sector Banks. It has also been found that both Foreign Banks and New Private Sector Banks improved the quantum of priority sector lending in the Supra period by taking advantages of the existing provisions.

26. **Uppal. R.K. and Amit Juneja (2011)** after deregulation and banking sector reforms, Indian Banking has changed its face completely. From a very comfortable and peaceful environment, now the Indian Banking Sector is characterized by stiff competition and profit war between different bank groups. So, this paper attempts to evaluate and compare the performance of different bank groups. Secondary data is used for this type of comparison and evaluation. All the bank groups i.e. Public Sector, Old Private Sector, New Private Sector and Foreign Banks constitute the sample for the above analysis. After the Analysis of the data for a time period of 2007-2011 for 17 parameters of bank performance, it is found that Old Private banks are much profitable and efficient than any other bank group. The performance of foreign banks is worst during the study period on all the parameters which shows that this bank group is yet not able to make its place in Indian banking Industry and Indian Banking Industry is still dominated by Old Private Sector banks.

27. **Jha and Sarangi (2011)** analyzed the performance of seven public sector and private sector banks for the year 2009-10. They used three sets of ratios, operating performance ratios, financial ratios, and efficiency ratios. In all

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eleven ratios were used. They found that Axis Bank took the first position, followed ICICI Bank, BOI, PNB, SBI, IDBI, and HDFC, in that order.


The Indian banking sector is characterized by large numbers of banks with varied ownership. Based on their ownership, the landscape is classified into five major groups - State Bank of India Group (SBIG), Nationalized Banks (NBs), Old Private Sector Banks (OPRSBs), New Private Sector Banks (NPRSBs) and Foreign Banks (FBs). The SBIG and NBs are collectively known as Public Sector Banks (PSBs). Many of the public sector banks and old private sector banks have their existence for over 75 years and have numerous legacy issues that need to be addressed, while the new private sector banks which come into existence consequent RBI's liberalization policy on banking sector in the year 1991 and foreign banks are well equipped with contemporary innovations, monetary tools and techniques to handle the complexities of modern banking needs and thereby stand a better chance to be more competitive as compared to public sector and old private sector banks. For the purpose of the study SBIG, NBs and OPRSBs been classified as traditional banks (TBs), while NPRSBs and FBs have been classified as modern banks (MBs) The study aims to examine the productivity, cost and profitability performance of Traditional banks Vis a Vis Modern banks for the period from 2005-2011. A total number of 12 variables/ratios have been selected with a minimum of three and maximum of five in each category to examine the extent of Gap between the modern and traditional banks. The study reveals that the gap between the modern and traditional banks significantly reduced during the study period.

29. **Prasad and Ravinder (2011)**

analyzed the profitability of four major banks in India, i.e., State Bank of India, Punjab National Bank, ICICI Bank and HDFC Bank for the period 2005-06 to 2009-10. Statistical tools like arithmetic

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mean, one-way ANOVA, Tukey HSD Test have been employed for the purpose of study. The profitability of these banks have been evaluated by using various parameters like Operating Profit Margin, Gross Profit Margin, Net Profit Margin, Earning per Share, Return on Equity, Return on Assets, Price Earnings Ratio and Dividend Payout Ratio. The study revealed that State Bank of India performed better in terms of earning per share and dividend payout ratio, while Punjab National Bank performed better in terms of operating profit margin and return on equity. The study found that HDFC Bank outperformed in terms of gross profit margin, net profit margin, return on assets and price earnings ratio. The study evidenced that ICICI Bank paid highest portion of earning as dividends to shareholders. Analysis ranked HDFC Bank on the top position followed by Punjab National Bank, State Bank of India and ICICI Bank.

30. **Dangwal and Kapoor (2010)** evaluated the financial performance of nationalized banks in India and assessed the growth index value of various parameters through overall profitability indices. The data for 19 nationalized banks, for the post-reform period from 2002-03 to 2006-07, was used to calculate the index of spread ratios, burden ratios, and profitability ratios. They found that while four banks had excellent performance, five achieved good performance, four attained fair performance, and six had poor performance.

31. **Kumar, S & Gulati R. (2010)** examine whether the effect of ownership on the efficiency of Indian domestic banks is significant. The efficiency scores for public and private sector banks were computed using a deterministic, non-parametric and linear programming based frontier technique, which is popularly known as Data Envelopment Analysis (DEA). Using the cross-sectional data of the public and private sector banks, which operated in the

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financial years 2005-06 and 2006-07, the study finds that (1) The new private sector banks dominate the formation of efficient frontier of Indian domestic banking industry; (2) The overall technical inefficiency stems primarily from managerial inefficiency (as reflected by pure technical inefficiency) rather than scale inefficiency; and (3) Though the efficiency differences between the public and private sector banks have been noted, these differences are statistically insignificant in most of the instances. On the whole, the study concludes that ownership does not matter in the Indian domestic banking industry.

32. **Kumar, S. and Gulati, R. (2008)** conducted a study on technical, pure technical and scale efficiencies in Indian Public Sector banks for a time period of 1992 to 2005. Using Logistic Regression Analysis, Slacks and Target Setting Analysis and Input oriented efficiency scores, the results of this study provides that the factors like market share, profitability and asset quality do not have any significant impact on the overall efficiency of Indian public sector banking industry.

33. **Musonda, A. (2008)** conducted a study on the determinants of cost efficiency in the Zambian Banking Sector for a time period of 1998 to 2006. Using translog stochastic frontier cost function, conditional mean inefficiency model, stochastic frontier approach, data envelopment analysis, the study concludes that the efficiency gap between domestic banks and foreign banks remains wide. Bank continues to exhibit poor risk assessment technique as exemplified by higher loan loss provisions.

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34. **Mitra, R. & Shankar R. (2008)** in their study on the evaluation of Indian banks concludes that a stable and efficient banking sector is an essential precondition to increase the economic level of a country. This paper tries to model and evaluate the efficiency of 50 Indian banks. The Inefficiency can be analyzed and quantified for every evaluated unit. The aim of this paper is to estimate and compare efficiency of the banking sector in India. The analysis is supposed to verify or reject the hypothesis whether the banking sector fulfils its intermediation function sufficiently to compete with the global players. The results are insightful to the financial policy planner as it identifies priority areas for different banks, which can improve the performance. This paper evaluates the performance of Banking Sectors in India.

35. **Kumar, S. (2008)** in his article on an evaluation of the financial performance of Indian private sector banks wrote Private sector banks play an important role in development of Indian economy. After liberalization the banking industry underwent major changes. The economic reforms totally have changed the banking sector. RBI permitted new banks to be started in the private sector as per the recommendation of Narashiman committee. The Indian banking industry was dominated by public sector banks. But now the situations have changed. New generation banks with used of technology and professional management has gained a reasonable position in the banking industry.

36. **Singla, H.K. (2008)**, in his paper, financial performance of banks in India,’ in ICFAI Journal of Bank Management No 7, has examined that 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 of banker

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36 Singla HK (2008), Financial performance of banks in India,’ ICFAI Journal of Bank Management No.7
index for a period of six years (2001-06). The study reveals that the profitability position was reasonable during the period of study when compared with the previous years. Strong capital position and balance sheet place, Banks in better position to deal with and absorb the economic constant over a period of time.

37. **Makesh (2008)** evaluated the financial management practices of Federal Bank and Dhanlakshmi Bank, along with the SBI, for the financial year 2006-2007. He revealed that all the three banks maintained capital in excess of the stipulated norms of the RBI. Federal Bank had the lowest NPA Ratio to net advances and had the maximum return on equity. Dhanalakshmi Bank maintained a very high liquidity. But Federal Bank performed well in cost management, as compared to the SBI and Dhanalakshmi Bank.

38. **Uppal, R. K. and Kaur, R. (2007)** analyze the efficiency of all the bank groups in the post banking sector reforms era. Time period of study is related to second post banking sector reforms (1999-2000 to 2004-05). The paper concludes that the efficiency of all the bank groups has increased in the second post banking sector reforms period but these banking sector reforms are more beneficial for new private sector banks and foreign banks. This paper also suggests some measures for the improvement of efficiency of Indian nationalized banks. The sample of the study in Indian banking industry which comprises five different ownership groups and the ratio method is used to calculate the efficiency of different bank groups. New private sector banks are compelling with foreign banks for continuous improvement in their performance.

39. **De (2003)** The panel regression techniques were used to examine the effect of ownership on bank performance in the context of Indian commercial banks. He noted that in case of public sector banks, old private sector banks and new private sector banks, the ownership had no effect on the return on assets. However, public sector banks had a higher ratio of net interest margin and operating cost. He also found that new private sector banks were showing a higher return on assets when the SBI and its associates were dropped from the sample.

40. **Muniappan (2002)** studied paradigm shift in banks from a regulator point of view in Indian Banking Paradigm Shift, IBA Bulletin, and No 243. He concluded the positive effect of banking sector reforms on the performance of banks. He suggested many effective measures to strengthen the Indian banking system.

2.4 **REVIEW OF LITERATURE RELATED TO NPAs OF THE BANKS**

41. **Mohnani, Priyanka and Deshmukh, Monal (2013)** Post reform era has changed the whole structure of banking sector of India. The emerging Competition has resulted in new challenges for the Indian banks. Hence, parameters for evaluating the performance of banks have also changed. This paper provides an empirical approach to the analysis of profitability indicators with a focal point on Non-Performing Assets (NPAs) of public and private sector banks. Non-performing assets are one of the major concerns for banks in India. NPAs reflect the performance of banks. The earning capacity and profitability of the banks are highly affected because of the existence of NPAs.

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A high level of NPAs suggests that large number of credit defaults that affect the profitability and net-worth of banks. Private and public Sector banks are highly affected by this three letter virus NPA. in this paper an effort has been made to evaluate the operational performance of the selected PSBs & Private bank in India and also analyze how efficiently Public and Private sector banks can manage NPA. The magnitude of NPA was comparatively higher in public sectors banks compared to private banks under study but now, they have managed the number at lower end. ICICI bank still do have higher NPA figure compared to PSB under study.

42. **Srinivas, K T .** (2013) in his study, A Study on Non- Performing Assets of Commercial Banks in India. The crash of the banking sector may have an unfavorable blow on other sectors. A banker shall be very cautious in lending, because banker is not lending money out of his own capital. A major portion of the money lent comes from the deposits received from the public and government share. At present NPA in the banking sector is debate topic because NPA is increasing year by year particularly in nationalized banks The Gross Non-Performing Assets (GNPAs) of Nationalized Banks as on June 2012 were Rs.73,038 crore which amount to 2.94% of Gross Advances. In this direction present paper is undertaken to study the reasons for advances becoming NPA in the Indian Commercial banks Sector and to give suitable suggestion to overcome the mentioned problem.

43. **Bardhan S., Marjit S. (2005)** raised doubts about the efficacy of the existing official definition of NPAs. The paper addressed what is the critically maximum or permissible level of NPAs that a bank can tolerate given its portfolio of various risky and riskless assets and operational expenses. It found that the tolerable level of NPAs of each bank depends on actual financial performance of the bank. The increase in difference between actual NPA and tolerable level of NPA of a bank led the severe

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NPA problem and vice-versa. The outcome of the regression analysis made in this paper finds that fixed cost of banks, which is largely personnel cost, is highly significant in explaining the severity of NPA.

44. Ranjan R., Dhal C (2003)\(^{44}\) analyses the non-performing loans (NPLs) of Indian PSBs by applying empirical approach. The study analyses how bank’s NPLs responses to the terms of credit, bank size and macroeconomic shocks. The empirical analysis finds that terms of credit variables have significant effect on the banks’ NPLs in the presence of bank size and macroeconomic shocks. The changes in the cost of credit in terms of expectation of higher interest rate induce increase in NPAs. On the other hand, factors like horizon of maturity of credit, better credit culture, and favorable macroeconomic and business conditions lead to lowering of NPAs. According to the study, different measure of bank size in terms of asset and capital had an impact on NPLs. The bank size measured in terms of assets, had negative impact on NPAs, while the measure of bank size in terms of capital had positive and significant effect on gross NPAs but negligible effect on net NPAs. The results confirmed that banks credit culture and terms of lending variables are important than exposure to priority sector lending. The empirical analysis also suggests that positive deviation of an individual bank’s credit-deposit ratio (CDR), from that of industry’s average could have favorable effect on reducing NPAs.

45. Rajaraman I., Vasishtha G. (2002)\(^{45}\) in an empirical study exercised a panel regression for a five-year period ending 1999-2000, on NPAs of 27 PSBs. The exercise provided an evidence of significant bi-variate relationship between an operating inefficiency indicator and the NPAs of PSBs. The study groups banks with higher than average NPAs into those explained by poor operating efficiency and those where the operating indicator does not suffice to explain


the high level of NPAs and leaves an unexplained intercept shift. Two of the three weak banks identified by the Verma committee, Indian Bank and United Bank of India, fall into this categories. Recapitalization of these banks with operational restructuring may therefore not be solution, since there is clearly a residual problem even after controlling for operational efficiency.

2.5 REVIEW OF LITERATURE RELATED TO OTHER FACTOR COMPARISONS

46. Mahalakshmi Krishnan (2012)\(^\text{46}\) in her paper ‘Trends and Growth Opportunities of Indian banking sector’ studies the correlation between Indian Banks’ Business growth and the GDP using Karl Pearson’s Correlation coefficient. The data were collected from various secondary published sources and research studies. The studies show a strong positive correlation between Indian Banks ‘Business Growth and the GDP. The Big Banks of USA and Europe buckled under crisis but India could withstand the crisis mainly on the strength of its banking industry. The paper also finds that in Retail Banking development shows in Urban-centric and in rural area the concept is beyond the thinking of people. So attempt is made to strengthen the Indian Banking system.

47. Munusamy, J. et al. (2010)\(^\text{47}\) this research focused on the measurement of customer satisfaction through delivery of service quality in the banking sector in Malaysia. A quantitative research was used to study the relationship between service quality dimensions and customer satisfaction. The methodology employed in obtaining information about customer satisfaction in banking via a survey conducted at a sample of the general consumer population. The survey questionnaire is design and distributed to target respondent randomly. Targeted respondents are the general public who are at the legal age to hold a Savings and/or Current Account in any of the retail


banks in Malaysia. A sample of 117 respondents was taken for the study. The findings reveal that assurance has positive relationship but it has no significant effect on customer satisfaction. Reliability has negative relationship but it has no significant effect on customer satisfaction. Tangibles have positive relationship and have significant impact on customer satisfaction. Empathy has positive relationship but it has no significant effect on customer satisfaction. Responsiveness has positive relationship but it has no significant impact on customer satisfaction. The study highlights implications for marketers in banking industry for improvement in delivery of service quality.

48. **Vimi Jham & Kaleem Mohd Khan (2008)** conducted a study among five Indian banks, aimed at identifying customer satisfaction variables which lead to relationship building, and developing a conceptual framework of relationship marketing practices in Indian banks by capturing the perspectives of customers with respect to their satisfaction with various services. It also sought to identify whether demographics have a role to play in customer satisfaction. A questionnaire designed from a literature review and in-depth interviews were utilized to arrive at the 16 variables which determined the satisfaction of 555 customers of the five banks. The findings suggest that while private banks have been able to attract the younger customers with higher educational levels, who are comfortable with multi channel banking, the customers of the national bank are older and more satisfied with the traditional facilities. The results from this study could provide managerial lessons on assessment of strengths and improvement of services and in evolving a research strategy that will benefit the management of banks.

49. **Kumar, S. (2007)** conducted a study based on cross-sectional data for 27 banks. This study explores the relationship between technical efficiency and profitability in Indian Public Sector Banking industry. The technique of Data Envelopment Analysis has been utilized to compute the TE-score for each

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bank in the year 2005. The mean level by TE for the industry is found to be 88.5 percent. This implies that Public Sector Banks can produce 1.13 times as much output from the same inputs if they operate at efficiency frontier. In 20 inefficient banks, the technical inefficiency ranges from 2.6 percent to 36.8 percent. Also the banks belonging to SBI group outperform the banks belonging to the ‘Nationalized Banks Groups’ in terms of operating efficiencies.

50. **Mishra, J.K. and Jain, M. (2007)** studied various dimensions of customer’s satisfaction in nationalized and private sector banks. The study concluded that the satisfaction of the customers is an invaluable asset for the modern organizations, providing unmatched competitive edge; it helps in building long term relationship as well as brand equity. The best approach to customer relationship is to deliver high level of customer satisfaction that result in strong customer loyalty. Two-stage factor analysis was computed to arrive at the dimensions of customer satisfaction. The study analyzed ten factors and five dimensions of customer satisfaction for nationalized and private sector banks respectively.

51. **Uppal, R.K. (2007)** concludes that Indian Banking industry has undergone radical changes due to liberalization and globalization measures undertaken since 1991. A highly satisfied and delighted customer is a very vital non-financial asset for the banks in the emerging IT era. This paper is based on the responses of the 768 customers of public sector banks and Indian Private Sector banks and foreign banks operating in Amritsar District of Punjab in the month of September 2007 in case of bank have been taken into consideration. Time is major factor which affects the quality and reputation of banks. E-banks provide quick services and are very essential that all bank groups should put a place the right kind of systems to further cut down on service time and render instantaneous services to the customers.

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